

FINANCIAL TIMES

LLOYD'S

Liabilities hotspot starts to simmer

Page 8

No.30,818

Friday April 14 1989

D 8523A

World News

Dairy pay-out prompts claims of EC farm fraud

The possibility of European Community farm fraud was raised when a member of the European Parliament claimed substantial sums had been wrongly paid out to EC dairy producers. Page 28

Lockerbie inquiry

US investigators have identified passengers who they suspect may have carried the bomb that destroyed Pan Am Flight 103, over Lockerbie. Page 6

Soda ash inquiry

European Commission officials are carrying out an investigation into possible price fixing in Western Europe's soda-ash industry, which produces raw materials for glass. Page 26

Iranian arrest

Revolutionary Guards arrested the son and son-in-law of Ayatollah Montazeri, who was sacked as successor to Ayatollah Khomeini. Page 4

Invitation to Akhito

Chinese Premier Li Peng invited Emperor Akihito to make the first visit to China by a Japanese emperor. Page 4

Italian survival

The Italian Government led by Ciriaco De Mita became the country's 17th post-war administration to survive more than a year in office. Page 5

Takehito pressure

Noboru Takehito, the Japanese Prime Minister, was put under fresh pressure by his own party to defend the crisis caused by the Recruit scandal. Page 4

Tamil kill 45

Tamil separatist rebels exploded a car bomb in eastern Sri Lanka, killing at least 45 people. Page 3

West Bank shooting

Israeli border police shot dead six Palestinians in a raid on a West Bank village. Page 4

Thailand under guard

Troops and tanks kept a tight grip on Thailand as the capital of Soviet Georgia prepared for the first funeral of the 19 people killed in clashes. Page 3

Solidarity register

Solidarity trade union applied for legal registration after a seven-year ban imposed by Poland's Communist authorities. Page 3

Syrian attack

Two helicopters with Syrian markings fired rockets at two Soviet vessels in the eastern Mediterranean, injuring seven sailors. Page 3

Pastor arrested

South Korean police boarded an airliner at Seoul airport to arrest a dissident pastor returning from an unauthorized trip to communist North Korea. Page 4

New Gulf talks

UN Secretary General Javier Perez de Cuellar will preside over another round of peace talks in Geneva between Iraq and Iran. Page 4

Yachtsmen saved

US military helicopters plucked 15 British yachtsmen, one injured, from huge waves and high winds in the Mediterranean, off the coast of Italy. Page 3

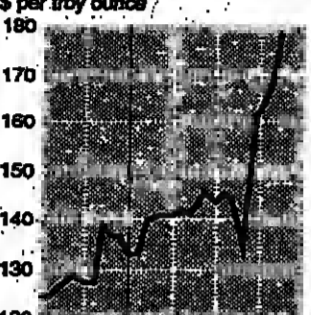
Business Summary

Argentine emergency measures expected

Argentina is facing the imposition of emergency economic measures to stem runaway inflation and restore confidence in the austral currency. Page 6

Palladium and platinum prices rise to their daily trad

Palladium prices rose to their daily trading high of \$180 a troy ounce. Page 6



Ing-Himits on news that a Univ

ing-Himits on news that a University of Washington researcher had again confirmed the result of the Utah nuclear fusion experiment. Page 6

EUROPEAN Commission clarified

the conditions under which the Community will allow banks from non-EC countries to set up subsidiaries. Page 24

TSB, fifth largest UK banking

group, announced sweeping changes in the structure of its boards. Page 9

CREDIT LYONNAIS, the

French state-owned bank, saw net profits fall to \$327m. Page 27

JAPAN'S total merchandise

trade surplus in March eased 30 per cent to \$6.7bn. Page 4

BLUR CHAIRS, the UK cement

manufacturer forecast sales would top 20m tonnes this year. Page 27

CLAI Group, Israel's biggest

privately owned industrial group reported a \$21.5m loss for 1988. Page 30

VIRNIES banks have won

a series of financing and joint venture contracts with Eastern bloc enterprises. Page 6

COCA-COLA, world's largest

maker of soft drinks, reported a surge in profits for the first quarter. Page 30

HUME INDUSTRIES, Malaysian

concrete and steelmaker, has launched a general offer for Multi-Purpose Holdings (MPEH). Page 29

BRASIL has begun a radical

readjustment of its anti-inflationary programme by authorising salary rises of 12 per cent. Page 6

BERLINER BANK of West

Berlin will raise its dividend two points to 10 per cent. Page 28

ANSETT AIRLINES, private

sector Australian carrier, suspended a threat to shut New Zealand operations over a bid for Air New Zealand by Qantas. Page 29

BANK of JAPAN is to

introduce an on-line computerised system for the buying and clearing of government bonds. Page 31

BCP, Banco Comercial

Portuguese, is launching a rights issue to increase capital by \$12m. Page 31

ARNALDO Mondadori Editor,

Italy's largest publishing group, will pay around \$50m to acquire L'Espresso group. Page 27

PUBLIC POWER CORP of

Greece awarded a mandate to Summito Bank to arrange a \$150m loan. Page 32

AMI HEALTHCARE Group,

the UK private medical company, announced an increase in pre-tax profits to \$14.1m. Page 24

Delors group leaves timing of monetary unity to politicians

By Peter Norman, Economics Correspondent, in London

THE DELORS Committee of European Community central bankers and outside experts has pushed the key issues of how fast the 12 EC member states should move towards economic and monetary union firmly into the laps of the Community's political leaders.

Speaking to the European Parliament in Strasbourg yesterday, Mr Jacques Delors, the European Commission President and chairman of the group, said monetary union was now up to politicians to decide, but the issue was becoming difficult to resist.

"Nobody will say you can wave a magic wand as far as monetary union is concerned," it is a major political decision," Mr Delors told the Parliament. "But even if you set aside the political aspect, I think you can say economic and monetary union is indispensable."

The report of the Delors Committee was agreed unanimously in Basle on Wednesday. Although details are not due to be released until Monday, European monetary officials said the 17-strong group has marked out a route along which the Community could move towards union with its

institutional trappings of a European Community central bank and common currency. Key issues it has not addressed are the timing and speed of developments. By leaving these questions to the politicians, the Delors group was able to produce a report that could be signed by all its members.

According to the officials, the Delors Committee's report has none the less made some clear statements of what must take place before union is achieved. It states, for example, that economic and monetary union would require amendment of the EC treaties.

In the final stages of the process towards monetary union, the group envisages the creation of a European central bank, based on the West German Bundesbank and US Federal Reserve system, that would give its highest priority to maintaining stable prices.

It is understood that the report, which will be handed to heads of government today, also marks out how the European Currency Unit could evolve into an EC currency.

By leaving the question of timing open the report has bridged the gap that existed



Kohl reshuffle overshadowed by fresh confusion

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday attempted to bolster his Government's electoral standing by announcing a Cabinet reshuffle designed above all to improve handling of controversial issues and immigration issues.

The action - aimed at stemming a tide of setbacks for the Centre-Right coalition in recent months - was, however, immediately overshadowed last night by fresh confusion over key aspects of the Government's tax and nuclear energy policies.

Mr Kohl's move to change his Defence, Finance and Interior Ministers as well as five other less important portfolios, adds up to the most important reshaping of his Government since the coalition took office in October 1982.

Mr Kohl is bringing in as Finance Minister Mr Theo Waigel, chairman of the Bavarian conservative party, the Christian Social Union, in a clear bid to improve government cohesion during the run-up to the next general election in December 1990.

Also promoted is Mr Wolfgang Schauble, Chancellery Minister, and a key aide to Mr Kohl. Mr Schauble takes over the Interior Ministry where he will have to deal above all with the problems caused by growing inflows of refugees from the Third World and Eastern Europe.

Mr Gerhard Stoltenberg, Finance Minister for 6 1/2 years under the Kohl coalition, is being moved to the highly difficult post of Defence Minister.

Puncturing the harmony which Mr Kohl tried to portray yesterday, the Bavarian State Government complained last night about the Chancellor's apparent move to downgrade plans for a controversial nuclear reprocessing complex in eastern Bavaria.

Mr Waigel, brought into the

Government to try to increase the Government's appeal on the Right, can be expected to stand up strongly in Cabinet for the DM10bn (\$5.3bn) Wacker-erdorf venture.

Additionally, suggestions of plans to change the 10 per cent withholding tax on savings and investments - brought in last year as part of an income tax cuts package - threw financial markets into confusion yesterday. The D-Mark at first firmed on belief that the tax would be scrapped as part of new policies from Mr Waigel. The withholding tax has been blamed over the past year for prompting capital outflows and thus weakening the D-Mark.

The markets calmed later however as government officials made clear that the tax might be modified but would not be scrapped.

The two main demotions yesterday were of Mr Rupert Scholz, the Defence Minister, who is leaving the Cabinet after proving a highly unpopular figure during a mere 11 months in office, and Mr Friedrich Zimmermann, the Interior Minister, also from Mr Waigel's Christian Social party, who is being moved down to Transport Minister.

Mr Kohl said Mr Stoltenberg, who is well known on the international circuit after his Finance Ministry spell, would bring "authority" into the Defence Ministry post.

As the senior member of the Federal Government team apart from Mr Hans-Dietrich Genscher, Foreign Minister, Mr Stoltenberg will be called on to shore up West Germany's flagging consensus over military affairs.

Mr Scholz ran into particular opposition over low-flying exercises by the German and other Western air forces and general unrest over military links within Nato.

Companions for the march to 1990, Page 24



Unknown Bavarian must make his mark

By Andrew Fisher in Frankfurt

CHANCELLOR Helmut Kohl has turned south for his new Finance Minister, choosing Mr Theo Waigel, a pipe-smoking, bushy-browed Bavarian, to replace Gerhard Stoltenberg, the cool, silver-haired northerner whose reputation has slid rapidly over the past year or so.

Although Mr Waigel, 49, is virtually unknown in the financial community, his appointment caused considerable confusion and activity in markets yesterday.

The reason was the withholding tax (Quellensteuer), a levy strongly criticised by the Bundesbank and others when Mr Stoltenberg introduced it and which led to heavy outflows of investment funds last year.

In the belief that Mr Waigel would try to draw the teeth of this tax, the D-Mark strengthened and share prices initially moved briskly ahead. Prices of domestic bonds, subject to the new 10 per cent tax on interest, firmed, while those of foreign bonds softened.

US Speaker faces crisis over gifts and income

By Lionel Barber in Washington

MR JIM WRIGHT, Speaker of the US House of Representatives, has been accused of improperly accepting gifts and expending funds on outside income, according to a congressional committee.

The charges threaten to topple Mr Wright, the nation's highest elected Democrat, from his post. A fearful Mr Wright vowed to defend his family honour, saying he would not accept the opportunity to appear before the House ethics committee. "I am confident that in the 24 years I have served in the Congress I have not violated any of those basic rules or any commonly accepted standard of ethical conduct," he said in a long, rambling statement to reporters on Capitol Hill. He strode off without

waiting for questions. The 66-year-old Texan was flanked by House Democratic leaders in a show of solidarity, but there were signs of splits in the party ranks over Mr Wright's difficulties and his performance yesterday was not considered convincing.

The ethics committee is expected to accuse him of up to 30 violations of House rules, most linked to his relationship with Mr George Mallick, a Texas property developer who gave thousands of dollars in gifts to the Speaker and his wife when Mr Mallick had a direct interest in legislation.

The committee - comprising six Democrats and six Republicans - voted 8-4 (with two Democrats defecting) to find "reason to believe" Mr Wright had violated House rules. It has yet to determine the sanctions it will recommend to the full House but most Democrats concede that even a reprimand would prove fatal.

Mr Wright must decide shortly whether he wants to appear before the committee to rebut the charges or whether he wants to proceed quickly to a vote by the committee on whether to hold a disciplinary hearing.

The Speaker's wife, Betty, worked for Mr Mallick between 1979 and 1980 and again between 1981 and 1984. She was paid \$10,000 a year and given the use of a Cadillac and a condominium. In key votes, the committee sided with its special counsel, Mr Richard Pheasant.

Continued on Page 26

Brussels eases path for non-EC banks to set up in Community

By Tim Dickson in Strasbourg

THE European Commission yesterday clarified the conditions under which the Community would allow banks from non-EC countries to set up subsidiaries. The move was seen as an attempt to dismiss what the Commission sees as the dangerous myth of "Fortress Europe."

At its weekly meeting in Strasbourg, the Commission agreed on a proposed second banking directive which both simplifies the procedure for individual banking applications and makes clear that in return the Community expects the rest of the world to provide access for EC banks.

The proposed directive will not become law until approved by the member states. It is designed to open up a single market in the banking sector by laying down criteria for the authorisation of banks in a member state and providing for EC-wide operations on the basis of meeting the conditions for a licence in a single member state.

In cases where the EC's partners have banking laws which are non-discriminatory but less liberal than those in the 12-nation bloc, however, the Commission says that it may propose negotiations with the country concerned.

Announcing the changes yesterday Sir Leon Brittan, the vice president of the European Commission who is responsible for financial services, said that the amendments "send a clear message to our trading partners: That we welcome the establishment of their banks in the Community and that we will only seek to hit back if there is in effect national discrimination against us."

Commenting on the right to negotiate with countries whose banking laws are less liberal but non-discriminatory Sir Leon said the EC was "fully entitled to argue that our most liberal banking market is an example that the rest of the world should follow."

The EC's second banking directive - which as originally proposed had aroused widespread fears in the US and Japan about European protectionism - has been seen as a litmus test of the EC's policy on financial services after 1992.

Part of the problem was the way in which the original directive was drafted, inspiring fears that the EC would refuse access to foreign banks whose home authorities did not provide equivalent treatment.

David Barclay in London writes: Reaction to Mr Brittan's proposals among banks in London was generally favourable. National Westminster, the largest British bank, said: "We have generally taken the British Government's view that the original proposals on bank reciprocity would have harmed London as an international financial centre."

The British Banks Association said it would want to study the proposals to see if they had gone far enough. Brittan gives details of banking directive, Page 4; No fortress in EC banking, Page 24.

THE EFFECT IS CLOSER THAN YOU THINK. Under an Hour by Train. Just Over an Hour by Car. Standed Airport is on Your Doorstep. The Eastern Ports Link is Close at Hand.

THE PETERBOROUGH EFFECT IS WORKING FOR YOU. For more information on how the Peterborough Effect can affect your business, contact Christopher Gibaud, Director, Peterborough Development Agency, Stuart House, Peterborough, PE1 1UJ. Telephone (0733) 558816, today.

MARKETS

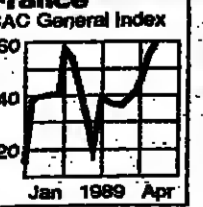


Table with 2 columns: Instrument and Price. Includes Sterling, New York close, Dow Jones Ind. Av., S&P Comp, FT-SE 100, World, Tokyo, Nikkei Ave, Frankfurt, Commercibank, Gold, Brent 15-day (Argus), West Tex. Crude, and COMEX.

Table with 2 columns: Instrument and Price. Includes US 3-month Treasury Bills, Long Bond, 3-month interbank, London 3-month interbank, and various futures contracts like Agri-futures, World Guide, Commercial Law, Commodities, Crossword, World Trade, Euro-options, and various options.

EUROPEAN NEWS

Aerosol makers in EC deal to cut use of CFCs

By Tim Dickson in Strasbourg

THE GROWING political pressures on industry to pay more attention to the environment were illustrated yesterday when the European Commission announced details of a voluntary deal with the Federation of European Aerosol Manufacturers to cut back the use of chlorofluorocarbons (CFCs) in aerosol cans.

CFCs are the gases blamed for the thinning of the atmosphere's ozone layer and for contributing to the warming up of the earth's temperature, the so-called "greenhouse effect."

The problem of CFCs was targeted in 1985 in the United Nations inspired Montreal Protocol, which committed signatories to a 50 per cent cutback in production by the end of the century. Earlier this year, European Community environment Ministers took a tougher line by undertaking to ensure a total ban by the year 2000.

The use of CFCs in aerosols accounts for about 45 per cent of total use throughout the Community. As a result, yesterday's agreement with the industry that the use in aerosols will be reduced by 90 per cent by the end of 1990 goes further than the overall 20 per cent reduction demanded by the Montreal Protocol by 1995.

The aerosol makers' cutback will be achieved on the basis of the 1976 figure of just over 200 tonnes for such uses, but aerosols used in pharmaceuticals and electronics and some specialised industrial uses will be exempted.

The agreement provides for the labelling of those aerosol cans that will continue to contain CFCs with the label: "Contains CFC which damages ozone."

EC agrees rules for cross-border television

By William Dawkins in Luxembourg

THE European Community yesterday approved common rules for cross-border television despite strong objections from West Germany, Denmark and Belgium.

Broadcasters will be guaranteed free cross-border transmission provided they observe minimum advertising and moral standards and carry a majority of EC-made programmes where practicable. The scheme is of great importance to the growing number of satellite and cable television channels emerging across Europe.

The Commission package, agreed at yesterday's meeting of EC trade and industry ministers, has to be endorsed by the European Parliament, and will come into effect in mid-1991. But the Danish Government yesterday warned that it would ignore the rules and block any foreign broadcast that offended national tastes.

The rules are broadly in line with regulations about to be agreed by the 22 members of the Council of Europe, the international political and human rights body, of which Denmark is also a member.

Mr Niels Wilhelm, the Danish Industry Minister, said Copenhagen would not change its own stringent television rules in line with the directive. Denmark argues that the EC has no power over cultural affairs and wants the right to block programmes that might harm children.

Mr Wilhelm warned that Denmark would later invoke its veto - allowed if a Community Government feels a vital national interest is threatened - if its refusal to observe the broadcasting directive was challenged in the European Court of Justice.

That tactic would not work after the directive's adoption, argued some national officials.

Mr Dieter von Wurzen, Bonn's State Economics Secretary, also objected, on the grounds that West German regional governments could not accept this EC encroachment on their responsibility for cultural policy. Belgium could get no support for its wish to charge levies on foreign programmes to help fund regional television. But Bonn and Brussels both intend to observe the rules.

Kohl spirit of harmony after reshuffle soured by Wackersdorf Nuclear issue puts stress on Bonn

By David Marsh in Bonn

SERIOUS strain within the West German coalition came to the surface last night over Bonn's proposals to discuss with France a possible alternative to the Federal Republic's planned nuclear reprocessing complex at Wackersdorf in eastern Bavaria.

The row emerged in a letter from Mr Max Streibl, the Bavarian Prime Minister, to Chancellor Helmut Kohl asking him to stand firmly behind the Wackersdorf project.

The venture, heavily contested by atomic energy opponents, is a highly symbolic part of West Germany's nuclear power programme.

The move from Bavaria immediately soured the mood of harmony in which Mr Kohl yesterday tried to present his government reshuffle, which enhances the role in the cabinet of the Bavarian conservative party.

Mr Kohl refused yesterday in Bonn to rule out whether Wackersdorf would be abandoned or modified in the light of a French offer of enhanced bilateral co-operation in reprocessing.

He spoke of a "new situation." Bonn and Paris would set up a study group to examine whether West German electrical utilities could make more use of spare reprocessing capacity at the French reprocessing plant at La Hague on the Normandy coast.

Mr Kohl and President Francois Mitterrand are due to hold "initial discussions" on the idea next week in Paris during the six monthly Franco-German summit, officials said.

They said an eventual decision on whether to change the Wackersdorf plans might take one or two years.

Wackersdorf is designed to separate into plutonium and re-usable uranium 350 tonnes a year of spent fuel from nuclear power stations from 1985-96 onwards.

Total building costs of the plant, which has been backed

by both the present and previous Bonn governments, are put at around DM2.5bn (\$5.32bn), of which DM2.5bn has already been spent.

Mr Kohl yesterday refused to admit that he had become more sceptical about Wackersdorf.

He said the Government stood by the principle of reprocessing spent fuel, but left pointedly open whether this would take place in France or West Germany.

Mr Streibl's letter to Mr Kohl expresses Bavaria's anger over an agreement between Yeba, the giant West German chemical and energy conglomerate, to negotiate cooperation with Cogema, the French state-owned nuclear fuel company.

Mr Streibl said that the Bavarian state government had taken over responsibility for the controversial project as part of a national strategy for dealing with spent nuclear fuel.

Mr Kohl's reshuffle is designed to improve the centre-right Government's fortunes, after a string of regional election setbacks. Altering the Cabinet line-up, however, just two months before the Government's next test at the European elections in June, amounts to a clear gamble. The moves add up to the Chancellor's last significant chance to reshape his team before the run-up begins in earnest to the next general election in December, 1990.

The changes look likely to be accompanied by a decisive shift in West Germany's nuclear energy strategy, which could also be designed to stem the tide of anti-nuclear voter switching to opposition parties.

Yesterday, although officials could not confirm details of the moves planned, Mr Alfred Dregger, leader of the conservative Parliamentary grouping in the Bundestag, said the changes to would be a "good solution."

Swiss rates rise on worries about franc

By William DuFour in Geneva

THE SWISS National Bank yesterday raised its discount and Lombard rates, after bankers and economists had begun to voice growing concern about the depreciation of the Swiss franc. From today the discount rate increases from 4 to 4.5 per cent; the Lombard by 1 point to 7 per cent.

The bank said its move emphasised its determination to continue "a stability-oriented policy". It signalled a tighter monetary policy last December when it set a 2 per cent target for the growth in the monetary base (M0) in 1989.

However, signs of overheating and some acceleration in inflation stimulated worries about price stability. In March the consumer price index hit an annual growth rate of 2.3 per cent and forecasters have been talking of a rise of 3 per cent or more this year. The index rose by only 1.9 per cent in 1988 and 1.4 per cent in 1987.

During the first quarter the franc fell by 10 per cent against the dollar and by 3.4 per cent against the D-Mark.

Acceleration of the trend this week led the Union Bank of Switzerland to describe the franc as "a crippled currency" and to criticise the national bank for not following its statement of intent with action.

The national bank linked its rates increase with "developments in the money market" where the three-month Euro rate interest rate had climbed from 5% per cent at the end of March to 6% yesterday.

Within an hour of the announcement the franc had hardened from 0.8865 to 0.8766 against the D-Mark.

UK, West Germany cool over EC mergers plan

By William Dawkins in Luxembourg

WEST Germany and Britain last night said the European Commission's latest attempt to resolve the deadlock over its controversial EC merger control regulation was a step in the right direction - but still well short of their requirements.

They insisted that the Commission should increase dramatically the Ecu 2bn (\$2.24bn) which it is now proposing as the level of combined turnover at which cross-border mergers should be forced to seek advance clearance from the Brussels authorities.

France and Spain also wanted a higher turnover threshold, while Belgium, Portugal, Greece, Denmark and Italy wanted the Commission to introduce a lower sales limit.

Yesterday's meeting was the first response to a new version of the plan, tabled earlier this month by Sir Leon Brittan, competition Commissioner. It confirms that member states are still a long way from summoning the unanimous accord needed to allow the scheme to take effect, though some Commission officials said an accord was still possible by June.

Brussels is proposing that cross border mergers with combined turnovers of more than Ecu5bn - falling to Ecu2bn at the end of 1992 - should seek advance clearance from the Commission's anti-trust department.

This compares with the previous plan for an Ecu1bn threshold, but is still a long way short of the Ecu10bn joint sales limit sought by the UK and the Ecu5bn wanted West Germany, the scheme's main sceptics. They also want an increase in the lower turnover threshold of Ecu100m for the smaller partner in a merger, below which deals need not be notified.

Sir Leon has suggested that mergers should not have to seek advance Commission clearance if more than two thirds of the partners' joint sales come from one EC country, as against three quarters in the earlier versions.

To end any confusion over the division of anti-trust power between the Commission and national merger control authorities, Sir Leon has suggested that national law only will apply to deals below the threshold. These, he proposes, should not be covered by any of the EC's competition rules.

Yugoslav inflation continues to rise

By Aleksandar Lebl in Belgrade

YUGOSLAVIA'S economic performance in the first quarter of 1989 was comparatively good with regard to the external sector and industrial production. However, inflation was higher than ever, despite efforts to stem it.

Industrial output went up by 2.6 per cent compared with the same period of 1988. With oscillations, it has been increasing since last December, but for the whole of 1988 it fell by 0.7 per cent compared with 1987.

Political unrest and strikes in the province of Kosovo did not influence national results, although industrial output in the province fell 4.7 per cent. Kosovo makes up less than 2 per cent of the Yugoslav total.

Retail prices increased by 66.3 per cent in the first quarter this year, or at an annualised rate of 763 per cent. In the

year ending in March, inflation was at 497.5 per cent. Total exports in the first three months of 1989 were worth \$2,900m, or 1.6 per cent more than the first quarter of 1988. Total imports were worth \$3,022m, or 11.1 per cent more.

Hard currency exports earned \$2,254m, and exports to industrialised countries \$1,630m, 2.9 per cent and 3.4 per cent more respectively.

Hard currency imports stood at \$2,532m, or 24 per cent more, and imports from industrialised countries stood at \$1,780m, or 15.9 per cent more.

Tourism had a good start. In the first two months the number of foreign tourists went up by 6.4 per cent, and the number of overnight stays increased by 8.9 per cent. Foreign exchange earnings increased by 30 per cent.

Ireland's third television channel wins approval

By Raymond Snoddy

IRELAND'S Independent Radio and Television Commission yesterday gave the go-ahead for a new third television channel, TV3, based on cable networks and local microwave transmission.

The Commission awarded the franchise to the only consortium to apply, the Windmill Hill Consortium. The group - formed by four Irish promoters, Mr James Morris, Mr John Kelleher, Mr Ossie Kilkenny and Mr Paul McGuinness - has the financial backing of the Smurfit group, Ireland's largest company.

Two ITV companies from the UK, TVS Entertainment and Ulster Television are also involved in the project.

TV3, which will be financed by advertising, will involve an investment of around £20m and hopes to begin broadcasting next spring.

At first it will be mostly based on the large cable television networks of Dublin and Cork although the aim is to be a national channel through the local microwave television (MMDS) the Irish Government is planning.

Agreement close on curbs to cross-border trade

By William Dawkins

EUROPEAN governments yesterday near agreement on three proposals to ease three curbs on cross-border trade, but were stuck on plans to grant students minimum rights to live abroad in the EC.

A meeting of trade and industry ministers was on the verge of giving the green light to Commission proposals to set minimum standards for the amount of financial information to be provided by company branches based in EC countries away from their head offices.

Such information would be lodged with company registries, so as to provide some protection for customers and suppliers unsure of foreign companies' stability. West Germany provided the main opposition, arguing that the plan was too bureaucratic, but officials said agreement was possible.

Ministers also agreed two other proposals - a requirement for trucks to carry sideguards to protect cyclists and pedestrians - and a routine updating of the EC's list of dangerous substances required to carry warning labels.

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hago, Frankfurt/Main, and as members of the Board of Directors: F. Barlow, R.A.F. McClean, G.T.S. Easner, M.C. Goossens, D.E.F. Palmer, London. Printer: Frankfurter Societäts-Druckerei "Cobbi", Frankfurt/Main. Responsible editor: Sir Geoffrey Owen. Financial Times, Number One Southwark Bridge, London SE1 9HL. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No. 150646, published daily except Sundays and holidays. US subscription rates \$365.00 per annum. Second-class postage and air New York NY and at additional mailing offices. POSTMASTER: Send address change to FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-R, Denmark. Telephone (01) 13 44 41. Fax (01) 933335.

ABBEY NATIONAL GETS THE VOTE.

'... an overwhelming vote of confidence in our plans to meet the challenge of the future by giving customers more and better services.'

Sir Campbell Adamson, Chairman

Total savers voting	2,870,000
% in favour of conversion	89.5
Total borrowers voting	676,000
% in favour of conversion	90.7

The Building Societies Commission has been asked to confirm conversion, and a decision is expected in May. If confirmed then, the flotation process is planned to start in June when eligible members will be sent a prospectus and application forms to buy new shares. On flotation, these members will also receive their free shares.

Confirmation Hearing

ABBNEY NATIONAL BUILDING SOCIETY CONVERSION TO PLC

Notice is hereby given that Abbey National Building Society has applied to the Building Societies Commission to confirm, under section 75 of the Act, the transfer of its business to Abbey National plc and the terms of the transfer.

Any interested party has the right to make written or oral representations, or both, to the Commission with respect to this application.

Written representations must reach the Commission by 12 noon on 2 May 1989.

Written notice of intention to make oral representations must also reach the Commission by 12 noon on 2 May 1989.

The Commission intends to hear oral representations on 17 May 1989, and will advise intending participants of the time and place.

The Act provides that the Commission must confirm a transfer unless it considers that:

- some information material to the members' decision about the transfer was not made available to all the members eligible to vote; or
- the vote on any resolution approving the transfer does not represent the views of the members eligible to vote; or
- there is a substantial risk that the successor company will not be authorised under the Banking Act 1987; or
- some relevant requirement of the Act or the rules of the Society was not fulfilled.

The address of the Building Societies Commission is 15 Great Marlborough Street, London W1V 2AX 14th April 1989

Abbey National Building Society is regulated in the conduct of investment business by the Securities and Investments Board.



MONTEFIBRE

S.p.A. - Registered Office: Via Pola no. 14 - 20124 Milan
Share Capital Lit. 300,000,000,000 fully paid up - Milan Court
Companies Registry No. 12527 - Fiscal Code no. 0252080152

PAYMENT OF DIVIDEND FOR FISCAL YEAR 1988

We inform that the General Shareholders Meeting held on April 13, 1989 resolved the payment of a dividend, subject to withholding tax under the existing laws, of Lit. 50 for each ordinary share and Lit. 70 for each savings share.

The above-mentioned dividend will be payable from April 14, 1989 upon detachment from the share certificates of coupon no. 7 of Lit. 1,000 for ordinary shares and of coupon no. 5 for savings shares, and will be cashed at the company's main office or the depositary banks listed below:

Banca Commerciale Italiana, Banca Nazionale dell'Agricoltura, Banca Nazionale del Lavoro, Banca Popolare di Bergamo, Banca Popolare di Milano, Banca Popolare di Novara, Banco di Napoli, Banco di Roma, Banco Lariano, Cassa di Risparmio delle Province Lombarde, Credito Italiano, Credito Romagnolo, Credito Varesino, Istituto Bancario Italiano, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Monte Titoli (for shares in their charge), Nuovo Banco Ambrosiano.

THE BOARD OF DIRECTORS

ic'89

9. Internationaler Investment Congress

Frankfurt, 3rd - 6th May, 1989

More than 80 speakers to 4 major topics:

- Investment funds enter "Europe '92" now
- Global asset management
- Real Estate perspectives
- Financial services with a view to Germany

Information:
ic congress - Hebelstr. 1 - 4000 Düsseldorf 1 - West Germany
Phone (211) 67 20 57 - Fax (211) 67 24 45 - Telex 5 584 776

Europe's distinguished congress for stock investments

to subscribe up to £12,985,000,000 for shares of common stock of

ARABIAN OIL CO., LTD.

NOTICE TO THE WARRANTHOLDERS

Pursuant to Clauses 4(A) and (B) of the Instrument relating to the above-captioned Warrants and Condition 7 of the Terms and Conditions of the Warrants, notice is hereby given that:

- Pursuant to the resolution of the general meeting of shareholders of Arabian Oil Company, Ltd. (the "Company") held on 30th March, 1989, the Company shall issue 490,964 additional shares of its common stock at the issue price of \$500 per share on 29th April, 1989, Tokyo time (the "Issue Date").
- As a result of such issue, the Subscription Price (defined in Condition 2(A) of the Terms and Conditions of the Warrants, presently equal to \$6.612) is due for adjustment on the Issue Date pursuant to Clause 3(vi) of the Instrument and Condition 7(c) of the Terms and Conditions of the Warrants.
- Notice of an adjusted Subscription Price will be given upon determination thereof.

14th April, 1989

ARABIAN OIL CO., LTD.

2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan

EUROPEAN NEWS

Knives flash in Hungarian party

By Leslie Colitt

PERSONAL rivalries played a key role in the ousting of four members of the Hungarian politburo earlier this week. "Subjective reasons" were as important as political ones, Dr Istvan Dejen, a spokesman for the Communist party central committee said.

The removal of Mr Janos Berecz, the chief ideologist, was not, as widely assumed, a triumph for reformers over conservatives in the leadership. The politburo reshuffle did not take place because of opposition to the reforms within the leadership. By "subjective reasons", Dr Dejen meant the deep per-

sonal animosities aroused by Mr Berecz within the central committee. Only a few years ago he was regarded by many as a reform-minded academic and a leading rival of Mr Karoly Grosz, a conservative. In the race to take over the party leadership from Mr Janos Kadar.

Mr Grosz, however, allied himself with radical reformers in the party who mistrusted Mr Berecz's ideological approach to politics and especially Mr Grosz's pragmatism. When Mr Grosz was chosen to head the party last May, Mr Berecz presented the decision to the world - glibly but still

smiling. In the following months he tried to keep a foot in both the reformist and the conservative camps which, in the end, repelled both sides.

Thus, Mr Berecz warned journalists on Hungarian Radio that they were going too far in criticising the party. At the same time he advocated a new law guaranteeing freedom of the press. Only a few weeks ago he presented the party's action programme which he said reflected a blend of "social democratic and reform communist" outlook. This appeared to place him firmly on the side of the radical reformers.

But it was too late. His many opponents in the central committee had whetted their knives and struck at Wednesday's closed session.

Mr Janos Lakacs, the Central Committee Secretary for Party Policy, who was also ousted, faithfully carried out its reformist policies but clearly did not have his heart in the splitting of the party into reformist, conservative and centrist wings.

The two others removed, Ms Judit Csehak and Mr Istvan Szabo, were widely regarded as superfluous rather than being opponents of reforms.

Romania's hard currency debt repaid

By Judy Dempsey in Vienna

ROMANIA'S hard currency debt, which during the early 1980s was one of the highest in Eastern Europe, has been completely repaid, according to an official Romanian communiqué.

Western bankers yesterday confirmed that the outstanding loans to the commercial banks had been paid but they could not confirm that loans to official institutions had yet been paid. "We had been expecting the total debt to be repaid by next August," bankers said.

By the end of 1988, the country's net debt totalled \$1.7bn and its gross debt stood at \$3.2bn.

However, bankers added that the breakthrough speed in which the debt repayments have been tackled has seriously undermined the economy's infrastructure. The announcement was made by Mr Nicolae Ceausescu, the Romanian President, during a meeting earlier this week of the party's central committee.

"I wish to inform the plenary meeting, the party and our people," he said, "that at the end of March, Romania fully paid back its foreign debt. This is the outstanding result of our people's work devoted to the country's socio-economic development."

Mr Ceausescu took personal responsibility for reducing the debt, which, in 1981, exceeded \$10bn, on the grounds that he wished to decrease the country's dependence on Western financial institutions. In addition, he was unwilling to negotiate any loans linked to his human rights record, one of the worst in Eastern Europe.

For the past year, the population has been deprived of basic food products, industry has been starved of capital investments, and enterprises have lacked the most basic imports of spare parts. Imports from OECD countries decreased from \$3.7bn in 1980 to less than \$1.2bn in 1987.

At the same time, penalties were imposed on enterprises which did not meet their export quotas, even though many had to work with an irregular flow of spare parts.

Solidarity files for legality



SENIOR Solidarity advisers filed a formal application for registration of the union in a Warsaw court yesterday saying they expected quick approval of the independent union, AP reports.

The application follows agreement earlier this month at round-table talks between the Communist authorities and the opposition to restore the union's legal status and to hold partially free elections to Parliament in June.

Mr Tadysz Mazowiecki (seen in the right of the picture holding the application with other Solidarity leaders), said: "We hope registration will take place in a few days, that the factory and local commissions will be able to organise without further obstacles, and that Solidarity will return to life as a powerful union."

Hungarians wary of another false dawn

Leslie Colitt reports on public scepticism about political reform

A MURAL in the lobby of the "White House," as the building of the central committee of the Hungarian Communist party is known locally, is one of the few remaining Stalinist relics in the sprawling building on Budapest's Danube embankment.

Workers, peasants and intelligentsia are pictured listening with rapt attention to a party bureaucrat seated at a desk before them. By contrast, Hungarians today make no attempt to hide their scepticism when party reformers speak of the coming dawn of social democracy and the multi-party system.

"People feel something historical is happening but do not dare to believe," says Ms Gyöngyi Kocsis, an editor of the leading opposition economic and political weekly HVG.

A year ago, few citizens would have dreamt that the media would be debating a future neutral status for the nation. Nor did they imagine that Mr Janos Kadar, ousted last May as party leader, would so soon be disgraced. Having first been blamed for the nation's political and economic malaise, he is now held responsible for helping Soviet tanks to crush the 1956 Hungarian uprising.

While living standards crumble, party leaders fervently extol the virtues of private enterprise. But private entrepreneurs, uncertain about the future, are interested mainly in quick profits. They indulge in Western cars, houses and air-travel but shy from investing in their own companies. Consequently, the private sector - whose share of gross national product is more than 30 per cent including small plot farming - is stagnating.

Mr Marton Tardos, an economist respected by both the Government and opposition, noted that no one in Hungary was actually for radical economic "democratisation" and the market economy, although the party claims that it is.

"Western bankers like to hear this rhet-

oric because of our debt but the party knows that if it does what it says it will lose power," he said.

Ordinary Hungarians, too, suspect that they will be the losers in a free market system. Economic reforms are now linked in the popular mind with 17 per cent inflation and falling real wages since 1982. While many people compensate by taking on extra jobs, this is difficult for industrial workers.

Hungarians may still enjoy greater variety in their shops than other East Europeans, but personal computers and boutique fashions are irrelevant for the nearly one quarter of the population eking out an existence below the poverty line.

Managers of monopolistic state-owned companies remain immune as ever from pressures of the market-place or threats of bankruptcy. The much-lauded bankruptcy law is not being applied because the Government fears the consequences of unemployment. Direct subsidies have been cut but inefficient companies keep themselves afloat by charging higher prices based on bloated costs.

At the same time, the new commercial banking system does not have enough money to allocate to efficient companies. Even worse, the bank directors, like company managers, are political appointees of the party. A Hungarian central banker summed up the dilemma by noting that as long as the Government was controlled by the party and not Parliament, it lacked the "legitimate power" to close loss-making companies.

Desperate to obtain this legitimacy, the leadership is being pushed by its radical reform wing under Mr Imre Pozsgay to transform the splendid gothic Parliament controlled by the party into a Western-style legislature. The party, however, is to remain dominant by keeping an inhibiting majority in next year's "communist election." Mr Pozsgay said that genuine elections in which the party would be

"deprived of the power to rule" if it lost, would take place later, possibly in 1989.

The leadership's strategy is to spread power among reliable allies in order to forestall the total loss of power. As wide a coalition as possible is to be forged among the new political groups which are to be transformed later this year into fully-fledged parties.

At this early stage, though, the proto-parties are still largely shells without content or effective leadership. They arouse as little popular enthusiasm as the party itself. The spectacle of two 80-year-olds heading the resurrected Social Democrat (SDP) and the Small Landowner's parties inspires little confidence among potential voters.

Mr Mihaly Bihari, a political scientist expelled from the party along with three others a year ago for his reformist views, believes the radical reformers will sooner or later have to split off from the rest of the party consisting of conservatives and the centrists under Mr Karoly Grosz, the leader. The natural ally of the ultra reformers he suggests would be a revitalised SDP.

In the present maze of parties only two, the SDP and the Small Landowner's party (which were the largest before the Communist takeover in 1948) are leaning towards a coalition with the Communists. Other political groups are still keeping their distance.

Some Hungarians, however, are concerned that any formal or tacit alliance of "elites" between the party, intelligentsia, professional people and management, will leave out ordinary Hungarians who have traditionally been excluded from politics. They warn that the consequences for political stability could be devastating.

As in Poland, the Hungarian leadership's nightmare is that economic austerity may end in a popular "explosion" against the regime.

Red Army Faction hits fresh targets

By David Goodhart

SYMPATHISERS of jailed leftwing guerrillas on hunger strike firebombed an office in Hamburg yesterday to support their campaign for political prisoner status.

But West German Chancellor Helmut Kohl vowed not to give in to the guerrillas' demands to be held together in prison. "There can be no question that I permit the state to be blackmailed," he told a news conference.

Police said Red Army Faction sympathisers smashed the office door of the West German Employers' Association in Hamburg and threw two fire bombs in.

On Wednesday masked youths broke into the Frankfurt Stock Exchange and hurled firebombs into the main trading hall; three were arrested.

The RAF, the West Germany terrorist group responsible for the deaths of several public figures in the 1970s, is once more causing political anxiety thanks to a highly effective prison hunger strike which has now been joined by 38 out of a total of 49 RAF prisoners.

Growth of Dutch economy to 'slow'

By Laura Raun in Amsterdam

DUTCH economic growth will double to 4 per cent this year from 1988 but will slow to 3 per cent next year, according to the semi-government Central Plan Bureau.

Exports and investments will fuel gross national product this year while exports and consumer spending will take over as the motors in 1989, the bureau announced.

Inflation should stabilise at a modest 1.5 per cent this year and next, and unemployment is seen falling moderately. The bureau's forecast is significantly more optimistic than other recently published figures and must be seen against the background of general elections in 1990.

An annual economic outlook normally is released in the spring but both 1989 and 1990 are addressed this time to shed light on the economy and government finances during the cabinet's last two years.

The European Commission believes the Netherlands' gross domestic product will expand to 3.25 per cent in 1989. This expansion would be faster than the European Community average of 3 per cent, but is forecast to slow to 2.25 per cent next year.

The Organisation for Eco-

nomic Co-operation and Development predicts 2.5 per cent growth in GDP for 1989 and 1990.

The Central Plan Bureau predicts that Dutch exports will climb 6 per cent this year, slipping to 5.5 per cent in 1990. Meanwhile business investment will surge 9.25 per cent in 1989, buoyed by aircraft purchases, but plunge to 2 per cent in the year after.

Consumer spending will rise by 3.5 per cent on improved purchasing power and employment but will taper off to 3 per cent in 1990.

Large tax cuts in 1990 will not immediately prompt consumers to spend significantly more, the bureau explains.

Unemployment is seen dropping from 435,000 in 1988 to 420,000 this year and 405,000 next year. The balance of payments surplus is expected to narrow sharply from F110.7bn (\$8.05bn) last year to F17bn in 1989 but widen to F18bn in 1990.

The Plan Bureau warns of distinct risks to the Dutch economy, which could scale back the forecasts, because it is heavily influenced by international developments, notably slow world trade, high inflation and firmer interest rates.



Medical Expenses We're Reassuring



MERCANTILE & GENERAL REINSURANCE

A WORLDWIDE REINSURANCE SERVICE. THE MERCANTILE AND GENERAL REINSURANCE COMPANY PLC. MOORFIELDS HOUSE, MOORFIELDS, LONDON EC2Y 9AL

EUROPEAN NEWS

Georgia's week of turmoil still has long way to run

IT HAS been a long week in Georgia, but it is not over yet. Today is the much heralded date for a nationalist rally in Tbilisi. It has been called to mark the anniversary of a demonstration held in 1978 to protest at plans then afoot to make Russian an official language in the republic alongside Georgian.

The week has already been eventful. At least 19 people were killed in riots in Tbilisi last weekend. More demonstrations followed on Monday, with troops firing shots to disperse the crowds. By Wednesday, Mr Davitashvili, Party chief of the republic, offered his resignation. That same day, Mr Gorbachev, the Soviet leader, appealed for calm.

The authorities must fear that the public will not heed Mr Gorbachev's warnings. Despite this week's violence, Dissidents will hold a nationalist rally in Tbilisi today if they can, writes James Blitz

and the imprisonment of many key dissident activists, some people will undoubtedly want to march today.

There is one man for whom today is filled with irony. On this day 11 years ago, Mr Eduard Shevardnadze, then the Georgian Party First Secretary, walked out of the Central Committee building in Tbilisi to hear the demands of thousands of student demonstrators.

Mr Shevardnadze flew to Moscow at once and persuaded the Brezhnev leadership that Russian should not become an official language in his republic.

This week, Mr Shevardnadze, putting aside his role as Soviet Foreign Minister, is back trying to mollify the demonstrators again. He is perhaps the only man who can. Mr Shevardnadze is immensely respected in his home republic and there have been reports that crowds have given him an enthusiastic reception in Tbilisi.

The local people remember that, as First Secretary, he was an early exponent of the enlightenment later dubbed "perestroika". In his 13 years at the top in Georgia, he stamped out much official cor-

ruption and introduced a limited number of Gorbachev-style reforms.

But since leaving for the Foreign Ministry in Moscow in 1985, Mr Shevardnadze must have been dismayed to see his reforming work overturned by the more orthodox Mr Patsiashvili. As First Secretary, Mr Patsiashvili backtracked from his predecessor's economic reforms and engaged in almost no dialogue with the dissident nationalists.

Mr Patsiashvili's conservatism reached new heights in last month's elections to the new Congress of People's Deputies. Unlike the Moscow polls, the elections in Georgia were fixed from the start.

The bloody outcome to last weekend's events may have provided the Kremlin with the opportunity to achieve a long-held ambition: the removal of a Georgia First Secretary not toeing the perestroika line. His resignation will almost certainly be granted.

Mr Patsiashvili's departure now essential because he has clearly lost his grip on the public mood. There have been five demonstrations in Tbilisi in five months, some attended by as many as 200,000 people.

At a time when nationalist groups are clamouring for sovereignty in the Baltics, Armenia, the heady nationalist atmosphere is inevitable in a republic like Georgia. Patsiashvili's orthodox leadership added to popular dissatisfaction. Georgians have been unhappy measuring the difference between the more enlightened government in Moscow and their orthodox local party.

But the independent groups are not fully able to harness the popular feeling because there are many of them and their policies are divided. They all want different degrees of sovereignty for Georgia.

The one thing that unites the activists is that they tell you not to speak to the other activists. The result of all this is that the groups cannot sap the Party's authority as the united People's Front does in the Baltic states.

That should comfort Mr Shevardnadze as he tries to restore order. What will not comfort him is the determination of the leading dissidents to demonstrate if they can.

Draft Soviet law aims to invigorate local councils

By John Lloyd in Moscow

DECISIONS on two draft laws taken last night by the Soviet politburo show a concern to shift power from the party to the new parliament and local councils (soviets) at all levels.

The official news agency Tass reported that a draft law on local government and the local economy was aimed at "the further development of socialist democracy, restoration of full power to local soviets of people's deputies and enhancement of their role as representative bodies of state authority."

Local soviets have tended to become transmission belts for central or state decisions with all matters of moment referred to higher levels.

The draft law - the provisions of which have not yet been published - may be aimed at invigorating their proceedings in preparation for the time, later this year, when they will be elected on a similar basis to that seen for the Supreme Soviet last month.

A second law, on what is described as "workers control over the functioning of enterprises of trade, public catering and services appears aimed at giving legal basis to the practice initiated by the grade unions last year of inspecting shops and distribution outlets for evidence of corruption and gross inefficiency.

OVERSEAS NEWS

Japanese trade surplus falls 10%



Rev Moon: arrested after flying in from Tokyo

Rev Moon held after visit to North Korea

By Maggie Ford in Seoul

A PROTESTANT minister who made an unauthorized visit to communist North Korea was arrested by police in Seoul yesterday after flying in from Tokyo.

Riot police sealed off the roads to the airport to prevent students gathering to support the Rev Moon Ik Hwan, 71. Thousands demonstrated at universities nationwide against his arrest.

Forty police entered the Northwest Airlines aircraft immediately after it landed and arrested Mr Moon.

His visit caused uproar among conservatives in South Korea when it was announced at Easter.

Mr Moon is expected to be charged under the national security law with making an illegal trip to an "anti-state group" (North Korea), with praising that country and its leader, President Kim Il Sung, and with holding meetings with northern officials.

The law prescribes a maximum penalty of death and a minimum of five years' jail.

Mr Moon has been handed into the custody of the Agency for National Security Planning (formerly the Korean CIA).

He spent many years in jail during his fight against two succeeding dictatorial regimes in South Korea. Before his arrest yesterday, he said he hoped his visit would enable people in South Korea to take a different attitude towards the north, breaking down barriers between the two sides.

Mr Moon's visit followed that of Mr Chung Ju Yong, founder of the Hyundai business group, who went to Pyongyang in January.

Japanese trade surplus falls 10%

By Ian Rodger in Tokyo

JAPAN'S merchandise trade surplus in March eased 10 per cent to \$6.7bn (£3.9bn) compared with the same month last year, but the surplus with the US widened substantially, reaching \$4.1bn, 21 per cent higher than in March 1988.

Analysts in Tokyo suspected the figures would add to growing feelings of resentment in Washington and increase the likelihood Tokyo would be singled out for investigation under the Super 301 clauses of last year's Trade Act.

Exports to the US rose 21.6 per cent to \$3.7bn. Imports grew by a healthy 22 per cent to \$4.6bn, partly because of the opening of some Japanese food product markets in the past year, but it was not enough to reverse the trend.

On the other hand, the surplus with the European Community dropped 12 per cent to \$1.7bn.

Imports from the EC surged 34.2 per cent to \$2.9bn as European luxury car makers built up stocks in Japan in advance of big tax reductions on April 1.

Japan's total exports in March rose 15.9 per cent to \$26.5bn while imports rose 29.8 per cent to \$19.8bn. On a seasonally-adjusted basis, the March surplus tumbled by a third to \$3.6bn from February.

But economists doubted this indicated a resumption of a trend of declining surpluses.

The figures are distorted by large aircraft imports and by big swings in oil import volumes and prices.

For the full fiscal year to March 31, 1989, the trade surplus on a customs-cleared basis totalled \$79bn, up 4 per cent from the previous fiscal year.

Mr David Pike of UBS Phillips and Drew said it suggested the oil-turn on a balance of payments basis would be about \$83bn, far above Tokyo's initial forecast.

Takehita comes under fresh pressure to end Recruit crisis

By Stefan Wagstyl in Tokyo

MR Noboru Takehita, the Japanese Prime Minister, was yesterday under fresh pressure by members of his own party to defuse the crisis caused by the Recruit scandal.

Thirty-six junior members of the Diet (Parliament) belonging to the ruling Liberal Democratic Party formed a new grouping called the Liberal Reform League, aimed at trying to restore popular confidence in the party.

The members said they wanted senior party figures alleged to be involved in the Recruit affair to come clean by giving evidence before the Diet.

Their message is directed principally at Mr Yasuhiro Nakasone, the former prime minister, who has disrupted Diet business by refusing to give evidence. Mr Takehita submitted himself to questioning on Tuesday.

The grouping drew support from members across all factions of the party, including seven from Mr Nakasone's, 12 from that of Mr Shinjirō Ito, the party's secretary-general, and eight from Mr Kiichi Miyazawa's, the former finance minister.

However, only two members came from the Takehita faction, the largest - a strong sign that the cross-faction grouping still lacks real political muscle. Nevertheless, Mr Takehita cannot afford to ignore the young Dietmen's message since it echoes the voice of popular opinion which wants an end to corruption in government.

The scandal erupted last year when it emerged that influential people, including politicians, had received financial favours from Recruit, a publishing company, in the form of cut-price shares.

In a further development, three senior officials at the Japanese Ministry of Education are due to resign today for alleged peripheral involvement in the Recruit financial scandal.

The three were colleagues of Mr Kunio Takahashi, the former education vice-minister, who has been arrested on allegations of accepting bribes from Recruit.

Mr Takahashi allegedly turned a blind eye to complaints about Recruit's job-advertisement magazines. In return, he is said to have been offered an opportunity to buy shares cheaply in Recruit Cosmos, an affiliate of Recruit, and to have been entertained at Recruit's expense.

The three officials who are accused of having accompanied Mr Takahashi on golf trips paid for by Recruit, and to a party, are Mr Moriyuki Kato, vice-minister for internal administration, and Mr Sumio Ichi Furumura and Mr Taijun Saito, both bureau directors in the ministry.

Akihito likely to visit Peking

By Robert Thomson in Peking

JAPAN'S Emperor Akihito yesterday indicated he would accept an invitation from the Chinese Premier, Li Peng, for a history-making visit to Peking, while China volunteered to help Japan improve its troubled relations with North Korea.

Li and China's Foreign Minister Qian Qichen, who are in Tokyo on a five-day visit, said they will pass on Japan's wishes to improve relations to North Korean officials, and were asked by Japanese officials to mediate in disputes between Pyongyang and Tokyo.

The Chinese Premier lunched with Emperor Akihito, who was expected to express, albeit subtly, his concern about Japanese actions during World War II.

After having been formally invited by Li to visit China, the Emperor said he would refer the matter to the Japanese gov-

US to resume aid to Cairo

By Tony Walker in Cairo

THE US, anxious to bolster Egypt at a sensitive moment in the search for Middle East peace, has indicated that it will resume disbursing aid.

Cairo's undertaking to increase energy prices to industry by 30 per cent to 40 per cent was the key to a US agreement to release about \$200m in a cash grant and to increase several other categories of aid to help the hard-pressed Egyptians.

The disbursement of this aid had been held up because of displeasure at the slow pace of Egypt's economic reform.

But local bankers and economists say the additional assistance will afford only limited relief for Egypt which is grappling with a range of problems from inflationary pressures to an acute shortage of hard currency.

A sharp depreciation in the value of the Egyptian pound by about 20 per cent against foreign currencies in the past month is attributable to the foreign exchange squeeze.

The US decision to release the cash aid and to offer extra help followed a visit to Washington earlier this month by President Hosni Mubarak who argued strongly for greater assistance. The US has been providing Egypt with \$2.3bn in civil and military aid annually, making it the American's second largest aid recipient after Israel.

Apart from the agreement to "unfreeze" the \$230m cash aid, which includes \$115m left over from fiscal 1988, the US has also offered Egypt an additional \$500m in credits for agricultural purchases and an extra \$100m under the Commodity Import Programme to assist private sector businesses to import raw materials and capital goods.

The US will also begin disbursing \$300m which it has earmarked for assistance for the electricity sector. These funds have been held up pending Egypt's agreement to raise energy prices.

The Egyptian government, which is highly sensitive to public criticism about price rises, is following its normal pattern of not announcing the energy price increases. Confirming the decision to raise energy prices to industry, Egyptian officials insist it will not affect the poor.

Officials say that other measures requested by Egypt's Western aid donors and international lending institutions are in the pipeline and will be announced over the next few weeks. One of these steps is understood to involve moves to restructure Egypt's inefficient public sector which accounts for about 70 per cent of industrial output.

The IMF and the World Bank have been engaged in difficult negotiations with Egypt on an enhanced reform programme. The energy price rises will go some way towards satisfying conditions for further assistance.

Six Palestinians die in clash

By Hugh Carnegie in Jerusalem

AS MANY as six Palestinians were reported shot dead yesterday and 15 injured several critically, in the most serious single incidents of the 16-month-old Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip.

The shootings by paramilitary border police in a village near Bethlehem sparked clashes with the security forces in surrounding West Bank areas.

The incident climaxed an upsurge of violence which began last Friday when rioting broke out in Jerusalem's Old City after the first Friday prayers of the Moslem fasting month of Ramadan.

The week's events have wrecked hopes of the Israeli authorities that Ramadan would see a lessening of violence in the Intifada (uprising), creating a more favourable atmosphere for plans for elections in the occupied territories announced in Washington last week by Mr Yitzhak Shamir, the Prime Minister.

Mr Shamir returns to Israel today with little sign of any acceptance of his election proposal among Palestinians.

As he flies home, much attention will again be focused on Friday prayers in the Old City where security forces are haced for a huge crowd of worshippers inevitably angered by yesterday's shootings.

Accounts of exactly what happened in the village of Nahalin differed. Local residents named six people they said had been shot dead by border police, in a series of incidents including provocation of locals by groups, some of whom were dressed in civilian clothes.

But a statement by the army only confirmed four dead and 11 wounded. It said a high-level investigation had been launched but gave no further details.

Senior officers, clearly worried by the way the security forces had handled the incident, said that the shootings had arisen after security forces were attacked by Palestinians in the village.

In Jerusalem during the week, a Palestinian was shot dead by a Jew, apparently in retaliation for the injuring of Jews praying at the Wailing Wall during last Friday's riots in the Old City.

Montazeri's son arrested by revolutionary guards

By Victor Mallet

IRANIAN Revolutionary Guards have arrested the son and son-in-law of Ayatollah Hossein Ali Montazeri, the man forced to resign last month as successor to Ayatollah Ruhollah Khomeini.

The arrests, reported by the opposition People's Mujahideen group and corroborated by other Iranian marks a worsening of the feuds between different factions of the Iranian religious elite in the aftermath of the Gulf war and the Rushdie affair.

Earlier this month the Mujahideen said a number of people were killed in clashes in the central town of Najafabad. Montazeri's home town, where his supporters and forces loyal to Khomeini.

Although the Iranian authorities have only hinted at the disturbances in their statements inside Iran, the clashes were confirmed this week by the weekly international edition of the country's Kayhan newspaper. It said "some opportunistic elements" had taken advantage of Montazeri's resignation to cause the riots.

The Mujahideen said yesterday that Revolutionary Guards raided the house of Hadi Hashemi, Montazeri's son-in-law, and detained him and Montazeri's son Saeed, amid speculation that they might have been involved in the Najafabad protests. The Guards were said to have beaten up the occupants of the house, including Hashemi's wife, who is Montazeri's daughter. The Mujahideen also said hundreds of members of the security forces in Najafabad had been sacked, and some had been jailed.

Montazeri's position was undermined as early as 1982 by his close association with Hadi's brother Mehdi Hashemi, the man who first revealed the Iran-Contra affair.

Mehdi Hashemi fell foul of Iran's leadership for his over-enthusiastic attempts to export the Iranian revolution, and he was executed in 1987.

The crackdown on Montazeri's associates was foreshadowed by Khomeini last month in his letter to Montazeri accepting his resignation. "I advise you to cleanse your household of unsuitable individuals and seriously prevent the combined and joining of the opponents of the system".

Renewed Beirut fighting raises toll to 200

SYRIAN and Christian gunmen battled across Beirut's dividing Green Line, blasting barbed wire and residential districts as Lebanon's civil war began its 15th year, AP reports from Beirut.

The bombardment resumed amid efforts by a French envoy to facilitate evacuation of wounded Christians and Muslims to a French navy hospital ship. It also complicated the task of an Arab League mediation panel in Kuwait seeking to enforce a cease-fire and open the way for constitutional reforms.

Over four people were killed yesterday, raising the death toll to 200 since the latest fighting erupted on March 8.

Syria apologises

Syria has apologized to the Soviet Union for a helicopter rocket attack on two Soviet navy vessels and a preliminary investigation indicated pilot error, a Foreign Ministry spokesman said, AP reports from Moscow.

The attack, which injured seven Soviet crew members, took place on Tuesday near the Syrian port of Tartus.

African initiative

A new initiative to attempt to improve the often poor quality of management of companies in Africa was launched in Amsterdam yesterday, reports Steven Fidler.

The African Management Services Company, or Amso, is a co-operative effort between the International Finance Corporation, the private sector affiliate of the World Bank, in collaboration with the United Nations Development Programme, the African Development Bank and numerous private companies.

Amso has fiscal immunity from the Dutch government for 10 years.

Nurturing a profit motive in Africa, Page 28.

Report accuses Zimbabwean ministers of corruption

By Tony Hawkins in Harare

A REPORT by a Zimbabwe government commission, published yesterday, presents President Robert Mugabe with his greatest political challenge since taking office in 1979.

It accuses five government ministers and one provincial governor of abusing their privileges by using their official positions to obtain motor vehicles from a state-owned assembly plant, and then of reselling the vehicles at a vast profit.

The Commission, chaired by Mr Justice Sandura, was appointed last year by President Mugabe to investigate allegations that government ministers had obtained motor vehicles from the Willowvale assembly plant, then resold the cars at a profit in breach of the country's price control laws.

Hours after the report was released, a government spokesman said the commission had been reappointed to investigate other alleged irregularities in the country's two other vehicle plants: the Dahmer Company which assembles trucks, and Leyland Zimbabwe, which assembles cars and trucks.

Mr Mugabe is scheduled to make a major address next week which, according to Mr Joshua Nkomo, a senior government minister, will change the country "politically, socially and economically."

The President will have to come to terms with the fact that some of his closest associates have been condemned by the commission, and attempt to restore the reputation of the ruling Zanu-PF party, now seriously undermined.

Zimbabweans quitted for hours by buying morning newspapers which summarised the Commission findings on the so-called Willowvale scandal.

The findings included a recommendation that 15 witnesses, among them four cabinet ministers, one governor and two members of parliament be charged with perjury for lying to the Commission.

Six Ministers and former Ministers and two MPs also face prosecution in terms of the country's price control regulations.

Three Ministers, including two of President Mugabe's closest associates - Mr Enos Nkala, the Defence Minister, and Mr Maurice Nyagumbo, the Political Affairs Minister - have already resigned.

The third government Minister, Mr Fred Shava, the former Labour Minister, is accused by the Commission of acting like "a second-hand car dealer" and of earning some \$70,000 from reselling cars above the official price.

Mr Callistus Ndllovu, the Industry Minister, Mr Dzangai Mutumbuka, the Higher Education Minister, and Mr Jacob Mudenda, governor of Matabeleland, have so far not resigned.

The Commission said Mr Ndllovu had come very close to being "detained in the cells", describing the Industry Minister as an "arrogant, aggressive and bitter witness".

It also urged the ruling Zanu-PF party and the police to undertake "a very thorough investigation" of the party's company, Zidco.

It warned that "certain people" may well be using Zidco to make "a considerable amount of money for themselves."



Mugabe: biggest challenge since taking office

Under fresh
recruit crisis

at Peking

Renewed his
fighting spirit



Fielding the right expert could have a similar effect on your team.

As Mr Trueman will testify, beating the competition isn't the easiest of tasks.

Especially when you attempt to do it off your own bat.

And with the Single European Market looming, the opposition is already getting fiercer.

Take the Enterprise Initiative from DTI and you could carry the day.

We'll place an expert on your side who'll be armed with all the necessary skills to give your company the competitive edge.

Whether it's in Marketing, Quality or Manufacturing. Or areas like Business Planning, Design, Financial and Information Systems.

The Enterprise Initiative is open to independent manufacturing and service businesses, provided they

employ fewer than five hundred people.

If you'd like to know more, call us free on 0800 500 200.

Or post the coupon.

We'll even pay up to two-thirds of the cost of between five and fifteen days' consultancy.

Owzat?

Post to: Enterprise Initiative, FREEPOST BS3333, Bristol BS1 6GZ. ☎ Or call free on 0800 500 200.

Name _____ Position _____

Name of Firm _____ **dti**
the Department for Enterprise

Address _____

Postcode _____ Telephone _____ No. of employees _____

Is your business primarily involved in:
 Construction Manufacturing Service

the Enterprise Initiative

FTI



AMERICAN NEWS

Argentine emergency measures expected

By Gary Mead in Buenos Aires

MR Juan Carlos Pugliese, Argentina's recently-appointed Economy Minister, was due last night to announce emergency measures in an attempt to stem runaway inflation and restore confidence in the austral currency.

A number of financial and economic problems have come together in the last two weeks, producing an emergency response on the part of the government. Argentina is approaching a presidential election on May 14 in which the economy will be a crucial issue.

On Wednesday the black market rate for the austral broke all records. At one point the official price of the dollar reached 58 australs before closing at 56, almost 180 per cent more than the officially fixed rate of 31 australs.

Last week Mr Pugliese devalued the austral by 21 per cent, in the hope of halting the rampant inflation. Officially, the rate of inflation for April may be in excess of 30 per cent compared with 17 per cent in March.

Mr Pugliese's appointment in March was widely expected as a political move designed to calm financial speculation and provide a smoother economic path to the election. But since then the situation has worsened: wholesale manufacturers have increased prices in the last month by between 15 and 150 per cent as they attempt to catch up with what they claim to be repressed costs of the last few months.

A price control agreement between government and industry broke up in the first week of February as manufacturers accused the Government of departing from the spirit of the agreement.

Mr Pugliese's emergency measures are likely to include a government-imposed price freeze - fixing prices at the level of April 7 - strong currency exchange restrictions and sharp increases in public sector tariffs.

Mexico hopes to stem capital flow

By Richard Johns in Mexico City

MEXICAN officials hope that the agreement clinched on Tuesday with the International Monetary Fund will help to reverse the flow of capital from the country and stabilise its current account.

Fears of a resumption of the capital flight, which drained reserves last summer, has been a catalyst speeding up the Government's negotiations for a debt deal with the International Monetary Fund. At the same time prevention of capital flight has been seen in Mexico City as a vital confidence building measure in talks due to begin next week with representatives of the 500 creditor banks.

In a switchback movement reflecting the country's hopes and fears about debt rescheduling, Mexico's Bolsa de Valores responded to the Government's agreement with the International Monetary Fund with a flurry of enthusiasm before subsiding into a mood of more cautious realism.

In the first hour's trading on Wednesday the price index, a notoriously volatile weather-vane of confidence, leapt by some 7,000 points - an increase which recalled those of September 1987 prior to the dramatic market crash - before subsiding. It closed at 244,781.5, a modest rise of 0.79 per cent.

In anticipation of the IMF accord, however, the index had risen by 5.22 per cent in four days trading. It now stands at its highest since the precipitous fall in autumn 1987 and one comparing with 211,531.78 at which the Bolsa closed at the end of 1988.

Much depends on whether the authorities can soon display an acceptable level of reserves. The level of foreign exchange reserves remains a deep secret and a matter of speculation. There is also puzzlement as to why the Government has not published final trade statistics for 1988 and in particular, those for December.

Dr Rogelio Ramirez de la O, a leading independent economist, says the IMF agreement will help to reverse the flow of capital from the country and stabilise its current account.

Fears of a resumption of the capital flight, which drained reserves last summer, has been a catalyst speeding up the Government's negotiations for a debt deal with the International Monetary Fund. At the same time prevention of capital flight has been seen in Mexico City as a vital confidence building measure in talks due to begin next week with representatives of the 500 creditor banks.

In a switchback movement reflecting the country's hopes and fears about debt rescheduling, Mexico's Bolsa de Valores responded to the Government's agreement with the International Monetary Fund with a flurry of enthusiasm before subsiding into a mood of more cautious realism.

In the first hour's trading on Wednesday the price index, a notoriously volatile weather-vane of confidence, leapt by some 7,000 points - an increase which recalled those of September 1987 prior to the dramatic market crash - before subsiding. It closed at 244,781.5, a modest rise of 0.79 per cent.

In anticipation of the IMF accord, however, the index had risen by 5.22 per cent in four days trading. It now stands at its highest since the precipitous fall in autumn 1987 and one comparing with 211,531.78 at which the Bolsa closed at the end of 1988.

Much depends on whether the authorities can soon display an acceptable level of reserves. The level of foreign exchange reserves remains a deep secret and a matter of speculation. There is also puzzlement as to why the Government has not published final trade statistics for 1988 and in particular, those for December.

Dr Rogelio Ramirez de la O, a leading independent economist, says the IMF agreement will help to reverse the flow of capital from the country and stabilise its current account.

Looking for a model debt menu

Stephen Fidler previews Mexico's talks with its bank creditors

MEXICO'S debt negotiators and their leading bank creditors sit down to talks next Wednesday in an attempt to forge a deal which will be looked on as a blueprint.

Mr Angel Gurría, Mexico's chief debt negotiator, has been in the post more or less since the debt crisis broke in 1982 when the country announced it could not meet its debt payments.

Across the table from him, Mr William Rhodes of Citicorp has headed the 13-strong Mexican bank advisory group since then.

Both know that the agreement they make will probably be the first to incorporate the debt proposals announced by Mr Nicholas Brady, US Treasury Secretary, on March 10. This agreement - to quote Mr Shafulqu Islam of the Council on Foreign Relations in New York - will be the first on which debt reduction is "no longer simply an afterthought in the menu of options", but the main course.

The precedents for a quick resolution are not good. The last big agreement between banks and a debtor country - Brazil - took months to arrange. While innovative in some respects, the precedent set by the Brazilian deal were relatively limited compared with those expected to emerge from the Mexico deal.

However, political momentum behind the Mexico deal is high and there is a strong view that delay could be dangerous, not only for Mexico but for those countries that hope to follow its example. Neither is Mexico negotiating from a position of arrears, as was Brazil.

Mexico has already indicated it will offer banks four options: debt principal or interest reduction, new loans or voluntary capitalisation of interest - the rolling up of interest payments as new loans.

Debt principal reduction can be used for a straight buy-back of Mexican loans at a discount or buying collateral to back new bonds with a lower face value, which will then be exchanged for loans. Or the funds could be used to provide support for interest payments.

As they start to negotiate, however, neither the banks nor the Mexicans will know exactly how the pie can be divided between debt principal and debt interest reduction.

Financing interest reduction proved to be the most controversial aspect of the Brady proposals at the meetings of the IMF and World Bank in Washington last week. As a result, it is still under study, despite being viewed in many quarters as the most effective way of reducing the Mexico's capital outflows.

Reducing interest payments has a number of advantages over reducing principal, and it is an idea that finds favour among bankers, academics and in debtor countries. The advantages include:

- It addresses more directly the main issue of resource outflows. Debt principal reduction must be significant before it starts to influence debt service.
- Unlike debt principal reduction, it is not necessarily forever. This provides some comfort to those worried that debt principal reduction will be difficult to operate over an extended period and that the incentives to meeting IMF and World Bank conditionality will be thus weakened.
- Bankers see interest reduction as offering some "upside", where the price of an export commodity such as oil rises. Interest support for a limited period could be lifted in the case of Mexico if the oil price were to rise significantly, in bankers' parlance, this is a recapture clause.
- Low interest bonds would carry a fixed interest rate, which would not be affected by rising money market rates. A couple of percentage points on US interest rates can wipe out

the benefit of even a significant debt principal reduction.

US banks are expected to benefit by American Express Bank, that President Bush's proposals for the budget represented a "minimalist" approach which would probably not lead to any effective measures to reduce the US federal deficit.

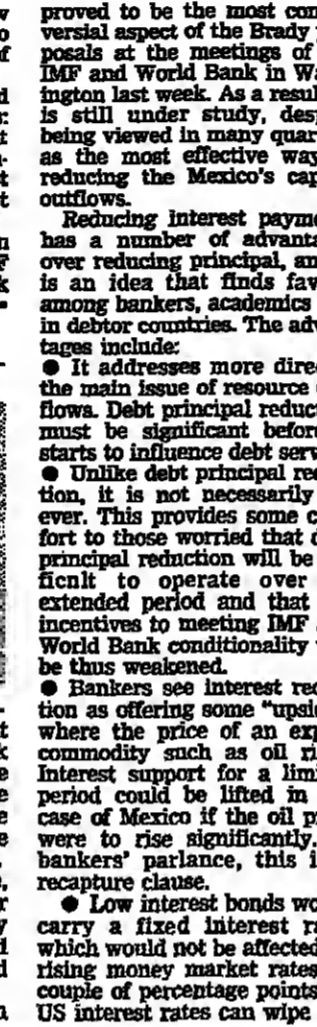
He said a dollar depreciation in the current circumstances, where capacity utilisation in the US was very high and there was increasing evidence of tightness in labour markets, would fuel US inflation and force the US Federal Reserve to increase interest rates.

Such an outcome could trigger a recession and have harmful consequences for the US financial system. "Third World debt and world economy."

In general, however, Mr Bergsten, and his colleagues at yesterday's conference, Mr William Chin and Mr Stephen Marris, said the dollar would have to depreciate by up to 10 per cent for the US current account deficit to be reduced.

A parallel trade-weighted revaluation of nearly 30 per cent for the Japanese yen and nearly 25 per cent for the DM-Mark would also be required.

Research by Mr Chin indicates that on unchanged policies the US current account deficit will be more than \$150bn in 1992, while under his proposals for co-ordinated currency revaluation and other measures it could be less than \$30bn.



Attack on 'minimalist' approach to US budget

By Simon Holbert, Economics Staff

THE FAILURE of the Bush administration to break with the past and grapple with the problems posed by the US budget deficit has increased the risk of a "hard landing" for the US and world economies, according to a leading commentator on economic affairs.

There were also clear signs that progress towards the correction of global trade imbalances had stalled and this, together with the budget impasse, raised the possibility that financial markets would tire of financing the US current account deficit at current exchange rates and seek to force the dollar lower.

Mr Fred Bergsten, director of the Washington-based Institute for International Economics, told a conference in London, sponsored by American Express Bank, that President Bush's proposals for the budget represented a "minimalist" approach which would probably not lead to any effective measures to reduce the US federal deficit.

He said a dollar depreciation in the current circumstances, where capacity utilisation in the US was very high and there was increasing evidence of tightness in labour markets, would fuel US inflation and force the US Federal Reserve to increase interest rates.

Such an outcome could trigger a recession and have harmful consequences for the US financial system. "Third World debt and world economy."

In general, however, Mr Bergsten, and his colleagues at yesterday's conference, Mr William Chin and Mr Stephen Marris, said the dollar would have to depreciate by up to 10 per cent for the US current account deficit to be reduced.

A parallel trade-weighted revaluation of nearly 30 per cent for the Japanese yen and nearly 25 per cent for the DM-Mark would also be required.

Research by Mr Chin indicates that on unchanged policies the US current account deficit will be more than \$150bn in 1992, while under his proposals for co-ordinated currency revaluation and other measures it could be less than \$30bn.

Further US retail recession reflects flat earnings

By Anthony Harris in Washington

THE US retail sales recession continued in March, with the cash value of sales advancing only 0.1 per cent, according to the advance estimate from the Census Bureau yesterday.

The sales rise, however, amounted to 0.2 per cent if the depressed car sector is excluded - though latest figures show car sales went on to recover in April.

Retail sales growth this year remains far below the recent rate of inflation. Weekly earnings in industry have also stood still since January, after advancing strongly in 1988.

Total sales have now advanced only 0.5 per cent in the last six months, or 1.5 per cent excluding the car trade, where turnover has fallen by 3 per cent. Prices rose 1.6 per cent in the first five months of this period, so the trend in real spending has been slightly lower than outside the car market.

Unit car sales in the first quarter of 1989 were 11 per cent lower than in 1988. However, early April reports show a rebound in sales after the major manufacturers launched new cheap credit terms. Sales in the first ten days of the month are estimated to have risen just over 10 per cent from the March level.

Throughout the year buyers have been sheltered by from high interest rates by the concessional financing offered by all the major manufacturers, but with little effect. Rates were cut again this month, with Chrysler, which is especially heavily overstocked, offering interest-free loans.

It seems clear that some buyers were waiting for better terms, but industry analysts still question how long the sales recovery can be sustained. Car stocks are more than 100 per cent above normal with supplies at the beginning of the month at 77 days' sales, against a normal 60-85 days.

Low pay bill proceeds despite threat of veto

By Nancy Dunne in Washington

LEGISLATION to boost the US minimum wage to \$4.55 an hour by late 1991 is headed towards a conference committee of the House and Senate despite the threat of a veto by President Bush.

The Senate vote on Wednesday of 62-37 was five short of the necessary margin to override a presidential veto. However, Senator Edward Kennedy, chairman of the Senate Labour Committee which produced the bill, said he hoped the President would reconsider his threat.

President Bush has agreed to a rise from the current \$3.35 wage an hour to \$4.25 over the next three years, but no more.

He has also insisted that the plan contain a six-month minimum "training wage."

Both the House and the Senate modified their original bills to include a 60-day training wage. The few differences in the two bills will be resolved in the conference committee.

Lockerbie probe focuses on passengers

US federal investigators have identified a handful of passengers who may have unwittingly carried aboard the bomb that caused a Pan Am aircraft to crash over Lockerbie, Scotland, last December, AP reports from Washington.

CBS television reported on Wednesday that suspicion for the bombing, which killed 259 people aboard and 11 on the ground, had focused on a member of the Popular Front for the Liberation of Palestine-General Command, who is a relative of Hafez Dalkamoni, currently in a West German prison on terrorism charges.

CBS said investigators believed the passenger who unwittingly carried the bomb was Mr Khalid Jasar, a Lebanese-American college student who lived in Michigan.

But a US administration official yesterday dispensed the CBS account. He said investigators had not identified Mr Jasar as the passenger bearing the bomb, but that Mr Jasar was only one of several possible passengers identified.

WORLD TRADE NEWS

Hills rejects call for US to adopt 'managed trade'

By Peter Riddell, US Editor, in Chicago

MRS Carla Hills, the US Trade Representative, has reiterated the Bush Administration's commitment to free trade and rejected the option of "managed trade."

Managed trade is now being urged by some US businessmen. It involves bilateral deals between the US and its trading partners, covering permitted volumes of business in individual sectors. Adoption of such a policy would be seen by many as a slide into protectionism.

In comments to reporters during a conference here organised by the Chicago Council on Foreign Relations, Mrs Hills clarified previous ambiguities about the Administration's approach. These had arisen following a report six weeks ago by a group of private sector advisers to her with the alternative option of managed trade and targets for market shares.

Mrs Hills said she was opposed to this approach which would lead to the establishment of cartels.

The US, she argued, should "swear off the idea of market share targets." She said agreed-on particular shares made no sense and she pointed to the semiconductor agreement between the US and Japan which had not worked.

However, Mrs Hills warned of "growing frustration" in Congress about trade dislocations in US-Japanese relations. She referred to "antagonism accelerating" because of the perception of the US private sector that markets were not open in Japan. Business leaders in their frustration were resorting to calls for managed trade.

She maintained that it was in Japan's best interests to import more since it would be badly hit if the correction to the imbalance between the countries took place in the context of import contraction rather than export expansion. The former, she said, would amount to a recession. Instead, she urged Japan to import more for its own long-term economic health.

Japanese dock strike heads for crisis point

By Robert Thomson in Tokyo

JAPAN'S week-long docks strike will reach crisis point unless dockers accept a new pay and conditions offer at meetings this weekend, according to shippers.

The strike has severely hampered trade. Pickets have stopped trucks collecting or delivering cargo, and containers have piled up, saturating quaysides.

The Japan Harbour Transportation Association, which represents waterfront employers, estimates that 2m tonnes of cargo has been delayed and says that increasing amounts of perishable goods are being ruined.

The association said most ships had been unloaded, and there had been some reloading of cargo stored within port compounds before the strike began, but unloading would cease if the strike was not settled at the weekend.

Refrigeration facilities at the ports have prevented some perishables from spoiling, but those facilities are already full. The Australian Meat and Livestock Corporation, which oversees beef and mutton exports comprising about 50 per cent of Japan's imports, said there had been a complete halt in deliveries to Japanese purchasers.

Brief strikes are not uncommon in Japan during the annual spring pay offensive, but the strike by 50,000 dockers is complicated by demands for significant changes in working conditions.

The dock unions want working hours cut from an average of 50 per cent to around 35 per week by 1992, and have called for, among other things, an overhaul of company pension schemes.

Seoul lobbies US amid fears of retaliation

By Maggie Ford in Seoul

SOUTH KOREA has launched a big lobbying effort in Washington to avoid being designated a priority foreign country under the US Omnibus Trade Act. This would mean the US regarding them as unfair traders and liable to retaliation.

A team of officials are holding meetings on Capitol Hill and will be joined next week by Mr Han Seung Soo, the Minister of Trade and Industry.

US officials are concerned about several South Korean policies, including high tariffs and customs duties, non-tariff barriers and restrictions on financial movements.

The US sees room for improvement in agricultural products, telecommunications, protection of intellectual property rights and the appreciation of the won currency.

Seoul has already been designated a priority country over its telecommunications policy and now has a year to negotiate changes before facing retaliation. The act removes the discretion of the President to decide not to retaliate against a designated country.

South Korean officials have taken several steps to avoid being named an unfair trader. Under the act, designation must take place by the end of this month.

Seoul last year appreciated the won by 16 per cent against the US dollar, although the rate has now slowed. Recently it has stimulated imports, reducing its trade surplus for January and February from \$1.5bn in 1988 to \$756m this year.

The February trade surplus with the US was reduced from \$224m last year to \$417m in 1988 following a drive to diversify sources of imports from Japan and a lifting of market restrictions.

This week Seoul lifted tariffs on several hundred agricultural products whose import was restricted and announced a Won 500bn package of measures to help farmers who may be hit by the imports.

A buying mission has also been dispatched to the US with plans to spend \$1.8bn on American products. Two South Korean airlines this week ordered aircraft worth \$1.2bn from Boeing and McDonnell Douglas.

Diversion fails to amuse Colgate

Tim Burt reports on a legal battle over cheap imported toothpaste

AN ACTION brought against an importer by Colgate-Palmolive, the household goods multinational, in the English Court in London this week, has focused attention on the trading practices of diversifiers.

Diversifiers are not latter-day smugglers but well-organised businessmen who obtain branded goods from countries where they are produced or sold cheaply and sell them to retailers in countries where the same brands sell at a higher price.

Profits running into millions of dollars can be made by diversifiers, according to Revlon, the US cosmetics multinational, which has also gone to court to protect its products against cheap imports.

Luxury goods and consumer products such as jewellery, alcohol, cosmetics, clothes and even food, are among the most lucrative targets for diversifiers, Revlon said.

Colgate (UK) claims that the widespread practice of diverting is harming its reputation and undermining its market share.

US National Food Brokers Association (NFBA) in Washington says: "Diverting price lists are electronically available daily. Often participants are aided by manufacturers and sales forces."

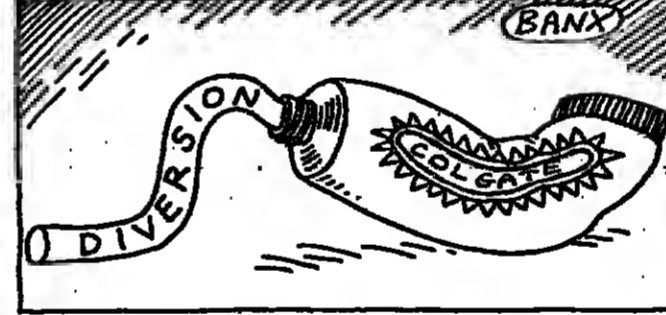
"Diverting is not a new creation. It has always been there. However, today its usage has been tremendously accelerated and sophisticated. It destroys sales comparisons by area, and local sales and marketing plans are derailed."

Colgate (UK) sued Mr Jnda Bak, a Belgian businessman operating in London, after he imported several large consignments of Colgate toothpaste from the UK from Brazil, where it was made under licence with an export market restricted to Bolivia, Paraguay, Chile and Nigeria.

Colgate (UK) told the High Court that because of price restrictions and a shortage of raw materials in Brazil, the toothpaste made there relied on local chalk as a main constituent and was of "inferior" quality compared with the toothpaste made in the UK.

Mr Bak who was found guilty in the High Court of passing off (one product as another) and infringement of trademark, said he was unaware that the consignments from Brazil to London had been granted an export licence on the understanding they were destined for Nigeria.

Mr Justice Falconer, the High Court judge, said Limate, the company manufacturing the toothpaste in Brazil



opening again if we can. This toothpaste was coming in such large quantities that it was damaging our reputation and denting our market share."

The International Chamber of Commerce has also voiced its concern over diverting. Mr Giles Wyburd, ICG director in London, said: "We want to protect consumers against being misled."

"But we make it quite clear that it is contrary to European Community law for there to be any restrictions on parallel imports (diversions) within the community."

In Washington, the NFBA said many senior managers were aware that their own sales force were diverting their products. "Diverting, particularly organised diversion, can exist only when manufacturers consciously support the activity. Sales organisations either knowingly contribute or are passive about its operation," according to the NFBA.

A spokesman for Revlon, which lost its case in the UK courts over what it claimed was illegal diversion of its shampoos from the US, suggested that its management in some multinational cases turned a blind eye to diverting and on occasion took advantage of it.

"A lot of the time diversifiers are used by companies to get rid of stuff which is old. It's a way of inventory clearance," the Revlon spokesman said.

"A product which is a poor seller in one country may be sold to a known diverter to maintain turnover and sales. Nobody likes a diverter but everybody needs them."

under licence from Colgate (US), "were deceived as to the real destination for which the products were intended."

He agreed with Colgate (UK) that shoppers who bought the toothpaste in Britain, where it was sold to retailers at up to 15 per cent lower than the UK-produced Colgate, "had been deceived and, being dissatisfied, had complained. It was unjust about its operation."

A spokesman for the NFBA said that the diversion of goods from one country to another, particularly in the case of toothpaste, was a serious problem for the UK. "We want to protect consumers against being misled."

UK importer in Soviet vehicle venture

By Peter Montagnon, World Trade Editor

SATRA International, which imports Lada cars into the UK, has established a Soviet joint venture to channel Western equipment, tools, components and know-how to the Soviet motor industry.

The venture is the first to be signed by any Western company with Avtoexport, the Moscow organisation responsible for Soviet motor exports. Satra said the venture was designed to take advantage of the increased foreign trade freedoms for Soviet enterprises from this month.

In return for arranging imports of equipment and know-how to the Soviet Union, the venture will also promote Soviet export sales through such activities as the development of finance schemes and vehicle leasing services.

Meanwhile the Export Credits Guarantee Department has guaranteed DM24m credit to finance sales of UK goods and services to Bulgaria.

Peking metro order

Metro-tec, a British consortium led by Balfour Beatty, has won a \$20m order for signalling and electro-mechanical engineering modernisation work on the Peking metro.

The contract will be financed under last year's UK government \$300m credit for China.

Gulf Airbus deal

Gulf Air, the airline jointly owned by the governments of Bahrain, Oman, Qatar and Abu Dhabi, is to buy 12 Airbus A320 and seven Boeing 767-300ER aircraft for about \$1bn, Victor Mallet writes.

Gulf Air also has options on a further 12 Airbus A320s and six Boeing 767s.

Stinger consortium

Turkey plans to produce parts for US-designed Stinger anti-aircraft missiles in a consortium with Dutch, Greek and West German companies, Reuters reports from Ankara.

The Defence Ministry said electronic, guidance system and motor parts, for assembly in Germany, would be built in Turkey, which would have a 40.8 per cent production share.

Austria looks to stronger links with Comecon

VIENNESE banks have won a series of financing and joint venture contracts with Eastern bloc enterprises in recent weeks, suggesting that Austria's traditional trading position in the Soviet bloc will not be eroded by West Germany, writes Judy Dempsey in Vienna.

While West German companies, spurred on by the economic reforms in the Soviet Union, have chased after contracts and joint ventures, Viennese bankers and economists believe that Austria can maintain, if not increase its share of exports to the Comecon countries. These form 8.8 per cent of its total exports.

In the past week, for example, Creditanstalt-Bankverein and Girozentrale, the country's two largest banks, were involved in two big contracts.

Creditanstalt financed the Schöberl construction of a luxury hotel in the Soviet Republic of Georgia. Today, in Budapest, Girozentrale puts the final touches to a major contract involving Tungram, the giant Hungarian state lighting company which has 6 per cent of the world market.

As part of their radical economic reform programme, the Hungarians are selling off industries to Western investors. Just under half of Tungram has been placed with an international investor syndicate, led by Girozentrale, and it is expected that after three years, the shares will be listed on the Vienna and other European stock exchanges.

These two contracts, however, are just the tip of the iceberg in Austria's links with Eastern Europe. Professor Jan Stankovsky, head of the East European department at Vienna's Institute for Forecasting, says small Austrian companies continue to do much business with Hungary and the Soviet Union despite West Germany's push into Comecon.

He adds: "Austria still retains a very special position. We have years of experience in the region, plus very close contacts have evolved over the years. Even if West Germany pushes ahead, old contacts between Vienna and Eastern Europe will remain crucial."

Professor Stankovsky says it is not so much the reforms in Eastern Europe which are bringing increased trade with Austria and other countries. "Over the next few years, we expect to see the size and share of the trade calls in Eastern Europe increasing. This is largely due to the good business cycle in the West, the stability of oil prices, and a drive by several East European countries to export more and improve competitiveness."

IF IT DOESN'T MEASURE UP IT GOES NO FURTHER



COMPUTERIZED PINPOINT ACCURACY

Most manufacturers can build cars that look well made, so it is hardly surprising the differences between a Mercedes-Benz and all the rest may amount to only one millimetre.

But minute differences on paper make enormous differences on the road.

And the reason Mercedes-Benz can search for, and find, this extra precision is simple enough: they use the most sophisticated measuring devices in the world.

In a room wholly isolated from external resonance, a room as clinical as an operating theatre, body shells from the production line of every new model run the gauntlet of highly specialised robots.

Like enormous, elegant aliens, these glide over each body shell searching every contour at 3,500 different points for any misalignment or imperfection no greater than the size of a pinhead.

Only faultless body shells signal that final production can at last begin and, on the assembly line, even more fastidious robots patiently wait.

Filled with computer-controlled video cameras that search laser illuminated car bodies for the smallest

imperfection, each of those electro-mechanical boffins complete in a week the work it would take two men a year to achieve. And they cannot be deceived. If there is more than 1.0mm variation in a single measurement, the whole shell is rejected.

That is why everything on a Mercedes-Benz fits so precisely. Why panels and trim align exactly. Why doors close with that discreet, terminal 'thunk'. Why these cars are not prone to rattle.

Mercedes-Benz build quality is legendary, a claim that is not wanton exaggeration, but a fact that can be measured.



ROBOTS THAT CHECK THE WORK OF OTHER ROBOTS

NO SUBSTITUTE FOR THE HUMAN TOUCH

Thousands of people at Mercedes-Benz concern themselves solely with quality assurance. Unlike conventional quality control, this procedure is designed to prevent quality problems rather than rectify them. That's why many of the quality assurance team have to be qualified engineers.

Yet a degree in engineering is no more important than the educated touch of a quality inspector's hands on the pristine surface of a raw body shell.

The only piece of equipment each inspector uses is a brushed cotton mitten, worth only a few

pence. If he is right-handed, the inspector will use a mitten on his left hand which is less hardened by everyday use and therefore more sensitive than the right.

When his experienced fingers are run over a weld joint or body panel, the minutest flaws become apparent. No robot can replace those practised fingers, alive to the smallest nuance, as they direct the hand-finishing of body shell surface. Or reject it as less than perfect.



THE MOST SOPHISTICATED MEASURING DEVICE OF ALL

HIGHEST STANDARDS IN THE MOTOR INDUSTRY

When Mercedes-Benz build a new car it must equal, or exceed, the toughest standards in the business - standards set only by its own predecessors.

The enduring priority is the need, always, to build safer and better cars. Millions of test miles are driven in every conceivable condition, and innumerable crash tests are assessed. Months of 24-hour-a-day laboratory work simulate years of

normal wear and tear. Long-term exposure in purpose-built test chambers, using controlled humidity levels, has resulted in anti-corrosion measures tailored precisely to the specific needs of different parts of the car body. Zinc phosphating, chromatic rinsing, electrolytic priming, PVC coating

on all welded joints and the underbody, ensure a corrosion resistant armour. In addition, a creeping wax solution is injected into all hollow body sections, while layer upon layer of primer, anti-chip coating and undercoat, are all added before the top coat is applied.

COMPUTERS AND ROBOTS ARE NEVER ENOUGH

But the real miracle is the ability of Mercedes-Benz to maintain unparalleled build quality as it meets the challenge of designing today's necessarily more complex motor cars.

The secret ingredient, if secret it be, is the most complicated piece of equipment of all. The human being. From those educated fingers in cotton gloves to the detailed analysis of the quality assurance engineer.

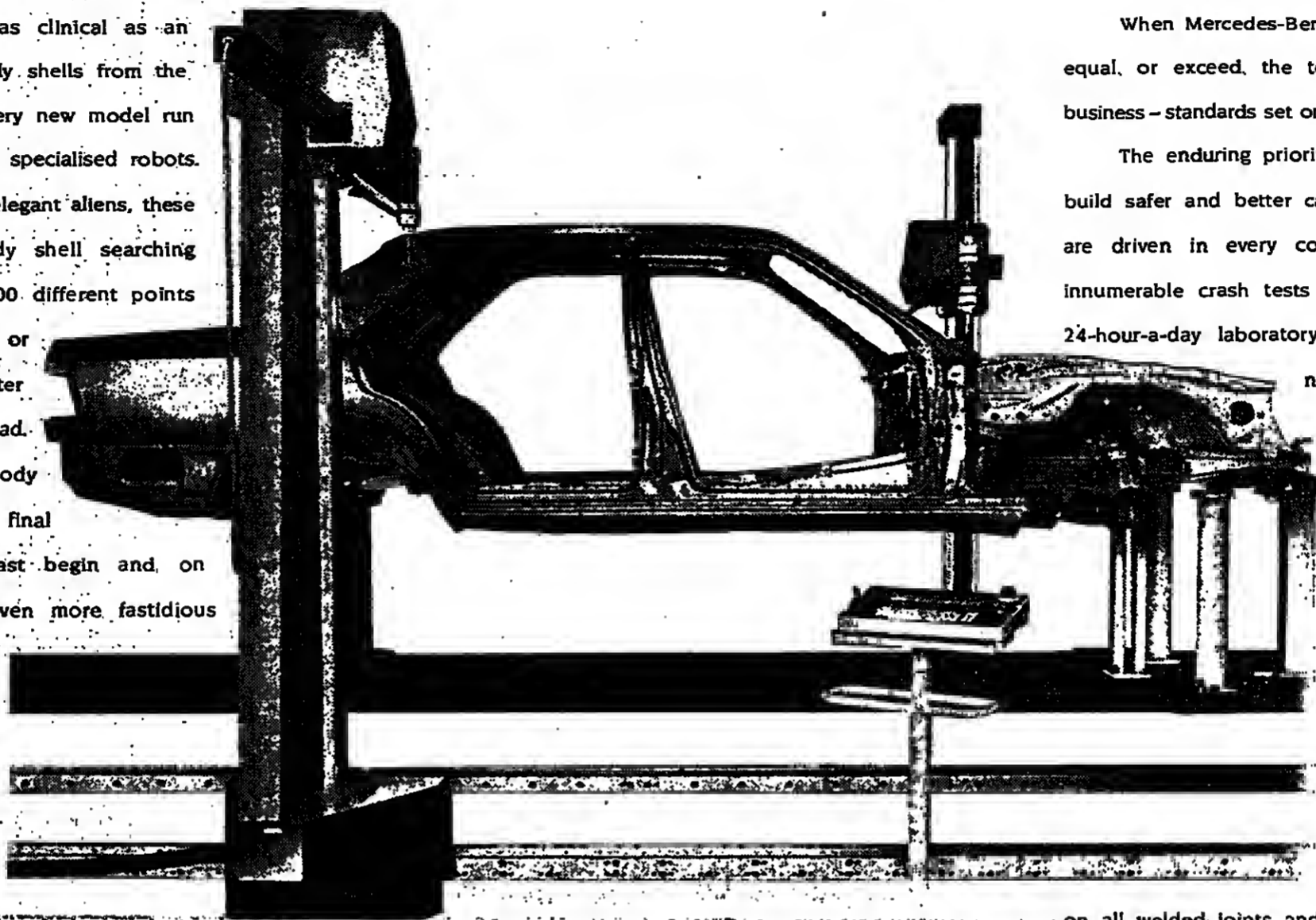
When Gottlieb Daimler called for "The best or nothing" there were no computers or robots, no environmental pressure groups or government safety regulations.



THE JOB. A MEASURE OF MERCEDES-BENZ SUCCESS.

But there was a standard demanded and never relinquished. At Mercedes-Benz you'll find as many as three generations of one family working side by side to ensure that every Mercedes-Benz motor car is made as it should be. As it must be. Like no other car in the world.

RJA-160FT



It missed being a Mercedes-Benz by 1.0mm



ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

UK NEWS

Lloyd's hotpot of US liabilities starts to simmer

Nick Bunker looks at the affair which threatens to plunge the market into a full-blown crisis

FOR MORE than two years, the Outhwaite affair has been surfacing repeatedly over lunch tables in the rumour-driven Lloyd's of London insurance community. However, events in the next few months might, just might, turn it into a full-blown crisis centering on the crucial issue of how Lloyd's copes with its notorious liabilities for asbestos and toxic waste-related claims from the US.

The chances of that happening came closer this Wednesday with the second instalment of a report on the affair by Freshfields, the law firm. Commissioned by a committee of 102 Lloyd's underwriting agency companies chaired by Mr John Heynes, it looks at the question of how 1,600 members ("Names") on Lloyd's marine syndicate 317/661, found themselves facing gross liabilities of at least £263m between now and the year 2006.

By themselves, the second Freshfields report's conclusions are merely findings of fact. What they are setting in train this week, however, are two new legal inquiries by the Heynes committee, and by the Outhwaite Names 1982 Committee. The 1982 Committee represents 400 of the 1,600 affected Names and has been seeking to persuade the ruling Council of Lloyd's to step in and clear up the mess.

If these inquiries conclude that the 1,600 have a case for denying their liability for the £263m, pressure could mount dramatically on the Lloyd's authorities to put together a market-wide lifeboat operation to meet the losses. This is a suggestion likely to encounter strong resistance from the market's ruling Council, which has steadfastly avoided intervening on the grounds that this is purely a matter between members of the market.

Stage one of the Outhwaite affair was in December 1980, when syndicate 317/661's underwriter, Mr Richard Outhwaite, began selling so-called "run-off" reinsurance policies to other Lloyd's syndicates and insurance companies.

Issued between then and the autumn of 1982 for what at the time seemed huge premiums, 31 of the run-off policies meant that syndicate 317 would take over heavy exposures to old US liability insurance policies from as far back as the 1940s.

As a result, the syndicate found itself carrying a vastly disproportionate share of the market's burden of claims from US companies arising from asbestos-related lung disorders, asbestos contamination in buildings, and compulsory clean-ups of old hazardous waste sites.

But this week's Freshfields report focused on stage two of



Richard Outhwaite: documentation was never completed

the affair: the events when the R.H.M. Outhwaite Underwriting Agency was trying to close the syndicate accounts for 1982 at a time when the run-offs were starting to produce huge claim build-ups.

In an annual report dated April 30 1985, the agency said it was closing the syndicate accounts and declaring a £2m profit for 1982, subject to a heavy qualification from Ernst & Whinney, its auditors, about the possible results of the run-offs.

Then, in July 1985, the agency wrote to syndicate members saying: "Subsequent discussions have now led us to believe (the decision to close

the 1982 year) to have been a mistaken view and we have therefore decided to leave the year open."

The legality of reopening the year is now to be examined in a fresh inquiry by Oswald Hickson Collier, the law firm, on behalf of the Heynes committee.

If it was not legal, then the 1982 Names can argue that the year was closed, terminating their liability for further losses. In theory, that would mean passing responsibility for the £263m to unsuspecting people who joined the syndicate in later years. That could deepen the legal morass, with the risk of bogging the Lloyd's commu-

nity down in embarrassing litigation for years.

What is clear is that cases of reopening Lloyd's syndicate accounts are rare. The Outhwaite 1982 Names Committee believes there have been only two: the Roylance scandal, which involved the collapse of a Lloyd's syndicate in the 1950s, and a second case in the early 1970s, when the R.W. Sturge underwriting agency reopened an accounting year for syndicate 210.

There is a further complicating factor. The vital Outhwaite accounting decisions were taken when rules for preparing Lloyd's syndicate accounts were undergoing an upheaval which may have added to the confusion.

Mr Ian Hey Davison, the chief executive of Lloyd's, had pushed through radical reforms following the Lloyd's scandals of the early 1980s. But his chief instrument was the October 1984 Syndicate Accounting By-law, which for the first time required auditors to say whether or not syndicate annual reports gave a true and fair view of their position; and in May 1985, the by-law was not fully in force.

As a result, "true and fair" certification from an auditor was expected, but not mandatory. Unsurprisingly, the Freshfields report shows that there was "some debate

between Outhwaite and Ernst & Whinney about the form and content of the audit certificate," Mr Heynes says.

A third complicating factor is that Mr Outhwaite never completed the official documentation to effect payment of the reinsurance-to-close premium. This premium represents a sum transferred to future members of the syndicate as a reserve against old liabilities. But in the Outhwaite case, no reinsurance-to-close memorandum was signed, according to Freshfields.

For now, the Outhwaite 1982 Names Committee is reluctant to take the hawkish line of threatening litigation to avoid liability for the £263m. Chaired by Mr Peter Nutting, a 53-year-old businessman, its 500 members include successful solicitors, accountants, and a barrister.

The committee is confining itself to getting counsel to look at the Freshfields findings and say whether the reopening of the 1982 was legally valid. What is clear, however, is the mounting frustration among Outhwaite 1982 Names at what they call inertia among the authorities at Lloyd's.

"The solution is for the Council to get off their backsides and do something," says one leading member of the 1982 Committee.

Law Lords ruling closes insider dealing loophole

By Raymond Hughes, Law Courts Correspondent

THE GOVERNMENT'S attempts to curb insider dealing have been given a boost by five Law Lords.

They have ruled that people who deal in shares on the basis of what they know to be unpublished, price-sensitive information are guilty of insider dealing, no matter how the information came into their possession.

"The mischief consists of dealing in securities while in possession of the confidential information," said Lord Lowry yesterday.

The decision finally sealed an apparent loophole in the law that had put at risk other prosecutions and investigations by the Department of Trade and Industry, which is spearheading the drive against insider dealing.

At the moment the DTI has 45 cases on its books: six before the courts, 17 being investigated in 14 of which inspectors have been appointed, and 22 more under consideration either before or after inspections.

What was at issue was the meaning to be given to the word "obtained" in the 1985 Company Securities (Insider Dealing) Act.

Section 1(3) of the Act makes it an offence for someone to deal in shares on the basis of unpublished, price-sensitive information "which he knowingly obtained (directly or indirectly) from another individual."

At Southwark Crown Court in London last April Judge Gerald Butler directed a jury to acquit Mr Brian Fisher, a barrister and businessman charged with insider dealing.

The judge decided that Mr Fisher had not "obtained" information on which he was alleged to have dealt in shares but been given it "without any opportunity for him to prevent that information being passed on." To obtain, the judge said, after consulting the Shorter Oxford Dictionary, meant "to procure or gain, as the result

of purpose or effort."

Sir Patrick Mayhew, QC, the Attorney General, referred the case to the Court of Appeal and in October three appeal judges, headed by Lord Lane, the Lord Chief Justice, held that parliament had intended to penalise the recipient of inside information who dealt in securities, whether he procured the information "by purpose and effort" or came by it "without any positive action on his part."

The case then went to the House of Lords for a definitive ruling by the Law Lords.

Mr Fisher's acquittal was unaffected by the rulings by the appeal judges or the law lords, which were sought simply to guide the lower courts to handle future cases.

Lord Templeman said yesterday that the object of the 1985 Act had been to prevent insider dealing.

"Parliament cannot have intended that a man who asks for information which he then misuses should be convicted of an offence while a man who, without asking, learns the same information which he also misuses should be acquitted."

Lord Lowry said the offence could be committed by a primary insider - someone connected with the company the shares of which were the subject of the dealing - or a secondary insider who had knowingly obtained information from a primary insider.

Whether the secondary insider solicited the information or merely received it did not increase or diminish the undesirability of his making use of it.

If a primary insider was forbidden to use the information, "one may properly ask why a secondary insider should be prohibited only from using part of the information which may come into his hands, namely, that which he has procured by his own efforts; the procurement is not the guilty act," Lord Lowry said.

NOT LONG AFTER W.G. GRACE WAS OPENING IN MELBOURNE, AUSTRALIAN MUTUAL PROVIDENT WAS OPENING IN LONDON.



When the great Doctor Grace led Lord Sheffield's XI out at Melbourne in 1892,

Australian Mutual Provident was already the largest life insurance office on its home ground, and just 16 years later would open its first London branch.

AMP is still the leading Australian life office, with over 30% of life insurance and retirement funds. Our £12bn investments are broadly spread over shares, government and fixed-interest securities,

property, energy and natural resources. AMP's substantial funds also allow us to seize growth opportunities whenever and wherever they occur.

In the coming years, we mean to continue our profitable growth, domestically, in the UK, and in new overseas markets, to give our policyholders the security that only financial strength can provide.

A promising future, for an institution that's 140 not out this year.

The AMP Group means to go on leading and breaking new ground for decades to come.

AMP
GROUP
A Member of LALITRO

Economy braced for a hangover

By Ralph Atkins, Economics Staff

AS last year's exuberant economic growth begins to fade, fears of a painful hangover are mounting.

Strong economic growth in 1988 is showing signs of easing but figures published yesterday suggest there has been no break in the upward trend in earnings. The result is that labour costs for each unit of output are increasing. And that almost certainly means higher retail prices to come.

Figures released later today are likely to show Britain's annual inflation rate rising to about 8 per cent. With recent mortgage rate rises fully reflected in the retail price index, that may be near a peak.

But the fear of City of London economists and others is that continuing wage pressure will mean any fall is modest. At the extreme, some are predicting "stagflation" with inflation remaining at rates of 5 per cent or more into the 1990s while growth is sluggish.

The pick up in earnings can be traced back to the beginning of last year. Between January 1988 and October 1987, the Department of Employment's measure of underlying earnings growth had been broadly stable - never rising by more than 8 per cent or less than 7½ per cent a year.

That stable growth accelerated, however, to reach 9½ per cent last summer - the highest since June 1982. It subsided slightly towards the end of the year, partly due to technical factors, but yesterday's figures showed a return to 9½ per cent in February.

Higher pay settlements have driven earnings upwards. Because agreements are usually based on past, rather than expected future performance, agreements have almost certainly reflected delayed effects of buoyant economic growth and company profitability since the mid-1980s.

That momentum is likely to continue: Profits of non-North Sea oil companies increased by a fifth last year. The fear is that earnings will replace excess demand as the main upward pressure on prices. Last week Mr Robin Leigh-Pemberton, Governor of the Bank of England, cited mounting wage pressures as the economy's most serious problem.

Cost pressures could also have been exacerbated by steep falls in unemployment. The Government boasts that since the peak in July 1986, the number out of work has fallen by 1.215m while the workforce in employment has risen to record levels.

The unwelcome side-effect, however, has been rising skill shortages with employers holding up wages to recruit and retain staff. Mr Paul Davies,

economist at IBS Phillips & Drew, said recent growth had exceeded productive potential.

The UK had outstripped the skills available in the labour market.

This may seem perverse when there are still almost 2m out of work - and at least two people out of work for every vacancy. A possible explanation is that the mismatch of skills between the unemployed and vacancies has worsened with Government and private sector training schemes failing to bridge the gap.

By definition, if employment is rising and output growth slowing, productivity will also decelerate. The first signs of this are apparent in yesterday's figures.

Output per head in the whole economy in the last three months of 1988 was just 0.5 per cent higher than a year earlier - a marked deceleration from previous quarter's figures even if interruptions to North Sea oil production are excluded.

If earnings are also rising, wages and salaries per unit of output will increase. In the last quarter of 1988, unit wage costs were 8.4 per cent higher than a year earlier - the fastest growth rate since the second quarter of 1981.

Figures due for release on Monday will show growth in productivity and unit wage costs in manufacturing during February. Signs of an improved performance appear unlikely.

At least publicly, the Treasury is not unduly concerned about such wage cost pressures. Its line is that the expected reduction in demand in the economy will feed through into the labour market but that this will take time.

Rising unit wage costs and falling productivity, the Treasury says, are the result of inevitable time lags in a slow-reacting labour market. However, it stopped short yesterday of forecasting that the trends will eventually be reversed.

Some tentative support for the Government is shown in yesterday's figures. The March fall in unemployment was below the average for the past six months and could be pointing to a slower underlying rate of decline. Vacancies were also falling, suggesting demand for labour was abating.

A problem with this line of argument is that the delay between a slowdown in demand and a reaction by the labour market could be inordinate. It may prove difficult to persuade financial markets - and more importantly, pay negotiators - of the efficiency of the labour market and to instil confidence that wage pressures will eventually fall.

Why more and more Companies are choosing HSA.

The Hospital Saving Association has been chosen by over 4,000 companies. Why? Because the country's leading Family Health Care Cash Plan offers excellent benefits to both staff and company. The HSA Cash Plan is very easy to implement. Companies simply provide a pay-roll deduction facility and leave the rest to us. And since we deal directly with the members, management time administration, time is minimal. Our Corporate Clients enjoy the benefits of a highly motivated, well looked after workforce, which in turn encourages more successful recruitment. Their staff are enjoying a wide range of CASH benefits - all for a small weekly payment. You'll be in healthy company if you fill in the coupon today.

- British Airways
- Abbey National Building Society
- Arthur Guinness, Son & Co.
- Kodak
- Brooke Bond Co.
- Chubb Fire Security Ltd
- Ford Motor Co.
- LCL
- Heinz H.L. & Co.
- The Nestlé Company
- Sunblest Bakeries
- Heathrow Airport Ltd
- Pringle of Scotland
- London Regional Transport
- Smiths Industries Ltd
- Reed Paper Group
- Scottish Airports Services
- Coca-Cola Schweppes
- Selfridges
- The Electricity Boards
- The Gas Boards
- Jaeger Knitwear
- W.H. Smith & Son
- British Telecom
- Hertz
- Sanderson Fabrics
- Williamson Sword Group
- The Metropolitan Police
- The Civil Service Department
- British Broadcasting Corporation
- Hospital Saving Association, Hambleton House, Andover, Hants SP10 1LQ. Tel: 0264 53211. Fax: 0264 333650.

HSA
HEALTH CARE CASH PLAN

I would like to hear more about the benefits of the HSA Health Care Cash Plan.

NAME _____

TITLE _____

COMPANY _____

ADDRESS _____

POSTCODE _____

TEL. NO. _____

UK NEWS

Offer of concessions likely in legal reform proposals

By Philip Stephens and Raymond Hughes

THE GOVERNMENT has agreed to a limited extension of the consultation period for its planned overhaul of the legal profession and signs that it is ready to offer significant concessions to defuse opposition to the plans.

The extension was agreed by the Cabinet yesterday as senior judges bowed to pressure from MPs and called off a meeting next Monday at which they were to have discussed the plans put forward by Lord Mackay, the Lord Chancellor.

Mrs Margaret Thatcher, the Prime Minister, was said to have determined that the core of the proposed changes - strengthening competition by giving solicitors as well as barristers rights of advocacy in the higher courts - must remain in place.

Ministers, however, said that there were possibilities for concessions in a number of areas. After last week's attack on the plans in the House of Lords, Lord Mackay had acknowledged that they would be difficult to get them through in their present form during the next session of parliament.

Among the likely concessions would be agreement to drop the proposal to introduce provision for lawyers to act on a contingency, or no-win no-fee, basis.

The Lord Chancellor was also said to be looking at ways to meet the concerns of the profession that the proposed new committee to oversee the licensing of advocates would unduly strengthen the powers of the Government over the judiciary.

Such a change would be designed to defuse the charge that the reforms threatened to subvert the constitution and to cast opponents of the plans in the role of simply defending their own self-interest.

The Law Society is suggesting as an alternative to the committee a Legal Affairs Commission, wholly independent of Government. It would inform Government and the professional bodies of gaps in the provision of legal services and advise on training and standards. Ministers said that Lord Mackay had also acknowledged political concern that his suggestion that solicitors and barristers could create multi-disciplinary practices might threaten the services available to smaller solicitor's practices outside large cities.

The proposal that the 27 judges from the Court of Appeal and 100 from the High Court should take several hours off work during court hours next Monday had attracted widespread adverse

comment in parliament and the press, where it was stigmatised as "a strike" or "unlawful industrial action."

Yesterday the Judges' Council announced that the meeting had been postponed until Saturday, May 20, when Lord Mackay will be available to address them.

In a statement issued through the Lord Chancellor's Department, the Council said that at its request Lord Mackay had extended the deadline for the judges' response to the Green Paper (discussion document) until May 30. It added that judges' meetings were held during court hours only when it was impractical to do otherwise. The council insisted that the meeting was not a protest against Lord Mackay's proposals, which did not affect judges personally.

Lord Mackay's department said that the extension of time applied only to the judges. All others wishing to respond to the Green Paper would have to stick to the original consultation deadline of May 2.

Mr Desmond Fennell, the chairman of the Bar, said last night that he hoped Lord Mackay would extend the deadline for all those who wished to make representations.

ODC seeks partner for St Paul's precinct

By Paul Chesswright

ORGANIZACION Diego Cisneros, the Venezuelan owner of Paternoster Square, the complex of offices beside St Paul's Cathedral in the City of London, is planning to sell a portion of its ownership to a property development company.

ODC's decision to seek a partner throws existing controversial plans for the redevelopment back into the melting pot.

Salomon Brothers, the US-owned investment bank, will next week send out details of Paternoster Square to property companies in the UK and abroad, inviting them to make financial and design proposals for its redevelopment. It is unlikely that any development consortium or joint venture would be set up without a British member.

Paternoster Square is one of the most sensitive sites in London because of its proximity to St Paul's. Prince Charles is anxious to see the existing square office blocks and draughty shopping precinct - which he called an eyesore - replaced by buildings sympathetic to St Paul's.

The developer chosen will be responsible for producing and carrying out a redevelopment design. ODC would pass an equity share in Paternoster Square to the developer, but would remain a passive investor.

ODC has not settled on the precise percentage of equity it would wish to retain. In the event of a very large offer from a developer, it might be prepared to sell Paternoster Square outright. The property is worth in the region of £300m.

Esso plans to invest £3bn in North Sea

By Maurice Samuelson

ESSO UK plans to spend more than £3bn in North Sea development in the next five years, on top of the £5bn invested since 1980.

Last year's capital and exploration expenditure reached £488m and it has put in one of its largest-ever applications for new acreage in the 11th round of offshore licences to be awarded by the Department of Energy. In 1988, for the first time in several years, Esso discovered

more oil than it produced.

Sir Archibald Foster, chairman and chief executive, yesterday cited these facts as proof of the company's "confidence in the long-term viability of the UK oil and gas industry."

He was announcing Esso's results for 1988, which were highlighted by a £225m fall in pre-tax earnings to £302m, due largely to a 24 per cent drop in average crude prices from 1987.

Inflation pressures heat up with rise in earnings growth

By Ralph Atkins, Economics Staff

SIGNS of growing inflationary pressures in the UK economy came in official figures yesterday showing a marked acceleration in labour costs.

The strength of earnings and wage growth in wages and salaries per unit of output overshadowed another fall in unemployment in March. The official seasonally-adjusted total dropped 30,600 to 1.52m - the lowest level for more than eight years.

The Department of Employment said average earnings were up at an underlying rate of 9% per cent a year in February - the same as in August and September last year but otherwise the highest since June 1982. In January, earnings were rising at a rate of 9 per cent.

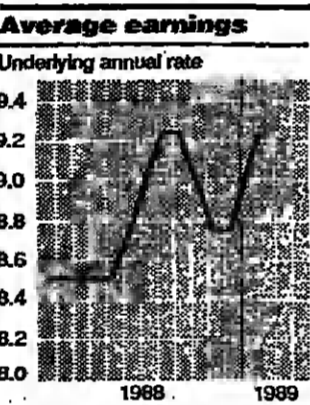
Wages and salaries per unit of output were increasing at an annual rate of 8.4 per cent in the last three months of 1988. Even after allowing for the interruption of North Sea oil production, that was the fastest growth rate since 1961.

The combined figures highlight cost pressures which have followed exceptionally strong output growth last year. Figures released today are widely expected to show Britain's inflation rate at about 8 per cent.

However, the Confederation of British Industry (CBI) yesterday said its pay databank showed manufacturing productivity was rising faster than pay settlements in the first three months of 1989. Mr John Benham, CBI director general, said this would help keep unit labour costs under control.

Financial markets yesterday reacted calmly with some analysts saying domestic cost pressures are likely to ease as the labour market reacts to the slowdown in domestic demand.

The FT-SE 100 share index fell 4.3 points to close at 3,028.7 while long-dated Government stocks fell about a third of a



point.

The department's figures show unit wage costs in the whole economy have been accelerating since the beginning of 1987. At the same time, productivity has slowed, with latest figures showing output per head just 0.5 per cent higher in the last three months of 1988 than in the corresponding period a year before.

Mr Michael Meacher, Labour's employment spokesman, said: "Britain is falling into the grip of a price-wage spiral. Wages are rising as a direct response to Government-imposed rises in mortgage rates and general inflation."

Figures for the manufacturing industry, published last month, showed the pick-up in unit wage costs continued into January 1989. Results for February will be published on Monday.

The unemployment figures could be pointing to a moderation in the rate of decline. The latest fall, the 32nd consecutive monthly drop, was below the average of the past six months.

Mild winter weather, however, has almost certainly exaggerated recent falls. Government statisticians believe the underlying rate of fall remains about 40,000 a month.

Regional boards scrapped in restructuring at TSB

By David Barchard

TSB GROUP, the fifth largest banking group in the UK, yesterday announced sweeping changes in the structure of its boards.

The size of the group board will fall from 31 to 17, while TSB's eight regional boards in England and Wales are to be scrapped.

Sir Nicholas Goodison, TSB's chairman since the beginning of the year, said that the changes had been made to streamline the operations of the group and shed unwieldy organisational features inherited from the days when TSB was a federation of local savings banks, before its stock-market flotation in 1986.

Immediately below TSB's

group board, there will now be three boards for the newly integrated operational divisions.

These will concentrate TSB's activities into banking, insurance and investment, and other commercial interests.

The streamlining, which is expected to save TSB around £760,000 a year, appears to have met with no resistance.

Sir Nicholas said yesterday that he had been "most encouraged" by the enthusiasm within the group for further progress.

The separate status of TSB in Scotland, Northern Ireland, and the Channel Islands has not been affected by the changes.

At first glance, Rolls Royce and Northern Engineering Industries look rather an odd couple.

At second glance, they look even odder.

Rolls Royce is the darling of the fast set.

N.E.I. makes power stations - and not too many of those nowadays.

Yet they're teaming up in a £306 million merger.

Is it a marriage of convenience? Or is there a hint of the shotgun?

Find out in The Economist today.



You may have heard about the excellent returns offered by offshore companies, yet been put off by either the lack of recognisable company names or by confusion over what they actually do.

As an overseas resident there are definite advantages in investing offshore, but to quote the Observer newspaper, "if one is going to place money overseas the safest rule is to stick to the funds run by the offshore arms of UK financial institutions whose reputation and standing are beyond dispute."

Obviously, Barclays Bank and Barclays International Funds are such institutions.

A wide choice:

We now offer 17 offshore investment funds marketed from politically stable Jersey in the Channel Islands. Advisors to the funds are Barclays de Zoete Wedd Investment Management Limited who currently look after investors funds to the value of £13 billion.

We have funds in equities across four continents, major

currencies, gilts and other fixed interest stocks.

We have funds for income or growth or both.

Easy switching

We offer total flexibility. You can easily switch from one fund to another to respond to fluctuations in world markets.

And you can start with as little as £1,000 or US\$1,500, although we do offer special privileges to those investing £50,000 or US\$100,000 or more.

Whatever amount you decide to invest, or whichever fund or funds you choose, with Barclays International Funds you will always enjoy one great benefit - peace of mind. Send the coupon today for more details without any obligation on your part.

Please send me a copy of your free brochure and details of your Special Cunard Holiday Offer.

I am considering investing a sum of £ _____

Name _____

Address _____



SEND TO: RICHARD ROBERTS, BARCLAYS INTERNATIONAL FUNDS, DEPT FT104/DDP, PO BOX 152, RUE DES MIELLES, ST. HELLER, JERSEY, C.I. TEL: (0534) 67888.

THESE INVESTMENTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OF THE UNITED STATES OF AMERICA AND THEY ARE NOT AVAILABLE EITHER DIRECTLY OR INDIRECTLY TO RESIDENTS OF OR CITIZENS OF THE U.S.A., ITS TERRITORIES OR POSSESSIONS.

UK NEWS - THE FINANCE BILL

HEALTH

Cheap cover for the retired

TAX RELIEF on elderly people's private health insurance contributions - one of the most widely criticised aspects of the Government's health care reforms - will be introduced in April 1990. It will be available to people aged 60 and over who subscribe to private health insurance, and to others who buy it on their behalf.

At present, only about 5 per cent of Britain's 12m people aged 60 and over are covered by medical insurance - about half the proportion of insured people in the population as a whole. Many of those who are insured under employers' schemes withdraw when they retire and have to pay their own contributions. The Government hopes relief will encourage more people to continue cover on retirement.

Insurance companies are preparing for increased interest in health insurance for the over-60s in the run-up to next April. This is particularly likely in the case of the provision allowing children to buy insurance on behalf of their elderly parents and offset it against their own tax.

Basic rate relief will be available to non-taxpayers and taxpayers alike. It will be deducted at source like mortgage relief under the Miras system. Higher rates of relief, where they apply, will be given by adjustment of individual PAYE codes.

The Government says that increased take-up of insurance among the elderly will relieve pressure on the National Health Service. Critics disagree. They say health care demands increase dramatically with age and that health insurers will offer only very cautious and partial cover to older clients.

Tax relief will, they contend, constitute an inefficient subsidy to the private sector while the NHS continues to meet the high costs of treating the chronic and disabling conditions which become more prevalent in old age. Official calculations are that the scheme will cost the Exchequer £40m in 1990-91, although this will rise in later years if more elderly people are encouraged to take out medical insurance.

The Government has decided that insurance contracts which provide daily cash benefits if potential private patients are treated in NHS hospitals will not attract tax relief. Such arrangements, says the Government, do not meet the objective of relieving pressure on the NHS. But contracts which include small cash sums for incidental out-of-pocket expenses, such as newspapers and flowers while in hospital, will qualify.

LIFE ASSURANCE

ONLY A few weeks ago, in the immediate aftermath of the Budget, the UK's life insurers were basking in self-congratulation after escaping what could have been a drastic revision of their tax regime.

The Finance Bill contains few obvious surprises, apart from one provision which could dampen some of the euphoria by unexpectedly expanding the Revenue's definition of shareholders' profits from life assurance.

The provision in question comes in Schedule 8, amending part of the 1988 Taxes Act dealing with insurance companies, and clause 78, which deals with the way life companies calculate their profits for tax purposes. One of its main effects is to limit the extent to which life assurance companies can allow untaxed shareholders' profits to accumulate in their life funds in excess of what is needed to fund future

SHAREHOLDERS' PROFITS

Shareholders' profits clause may dampen Budget euphoria

bonus payments to policyholders. According to Mr Chris Winstlett, life assurance tax specialist with Deloitte, Haskins and Sells, this may have a large impact on some unit-linked life assurance companies.

In their annual reports, shareholder-owned life insurers show a revenue account, which gives income (made up of premiums, investment income, realised capital gains) and outgoing (benefits to policyholders, brokers' commissions, taxation, and after-tax

profits handed to shareholders). The last element - shareholders' profit - usually appears on the report's next page, in a separate shareholders' profit and loss account.

However, there may be some elements of shareholders' profits which are left in the revenue account and fall to be "appropriated" (the technical life assurance term) into the profit and loss account. What clause 78 appears to do is to give the Revenue more stringent criteria for determining how much of the unappropriated profits can be brought into the tax charge.

Clause 78 (b) uses the life assurance company's annual returns to the Department of Trade and Industry as the basis for calculating taxable profits. These returns contain the life company's valuations of its assets and liabilities.

According to clause 78 (b), the returns may show an unappropriated profit which can be left out of the tax charge. But, the clause appears to say, in future the unappropriated

PENSIONS

Proposed limit on earnings is clarified

THE BILL contains no surprises regarding changes to occupational pension schemes, but it clarifies two important features of the proposed £50,000 limit on earnings for pension purposes.

First, it confirms that this limit will be revalued each year in line with price increases, despite comments from the pensions industry that revaluation should be in line with earnings growth.

Second, and of greater impact, is confirmation that the limit will apply immediately to contributions paid into a company scheme, including Additional Voluntary Contributions schemes.

The £50,000 limit on calculating benefits only applies to new schemes from March 13, 1989 and to new employees joining existing schemes from June 1, 1989.

Employees not caught by these restrictions can have pension and cash sum benefits based on their full pensionable earnings, but their contributions into the scheme, as from this year, will be limited to this £50,000 ceiling.

The shortfall will therefore have to be made up by other means. Higher-paid employees endeavouring to make up a shortfall through Additional Voluntary Contributions, either in-house or by a "free standing" arrangement, will

therefore find their maximum permissible payments subject to this limit.

The changes will result in two different benefit systems for company pension schemes - the existing system where there is no earnings limit on benefits, but with restrictions on early retirement benefits, or the new system with the ability to pay full pensions from age 50 with a maximum of 20 years service, but with the £50,000 earnings limit.

The Bill does not clarify the rights of employees in existing schemes to opt for the new system or the old one, except for existing employees who joined the scheme on or after March 17, 1987 when the existing £150,000 cash benefit limit was imposed.

These employees will have the automatic right to decide whether to switch, but for employees who were members of their company scheme before the above date, the switch option will have to be contained in the rules. The Revenue will still be in a position to approve rule changes.

The Bill also proposes to stop annual pension arrangements to take advantage of the removal of the £150,000 limit on cash payments.

Employees not caught by these restrictions can have pension and cash sum benefits based on their full pensionable earnings, but their contributions into the scheme, as from this year, will be limited to this £50,000 ceiling.

The shortfall will therefore have to be made up by other means. Higher-paid employees endeavouring to make up a shortfall through Additional Voluntary Contributions, either in-house or by a "free standing" arrangement, will

be taxed at all.

In anticipation of this loophole, some tax advisers were recommending their clients to bring forward as much of their pay as possible before April 5. However, most had expected the Revenue to take action to block this form of avoidance.

The Revenue said yesterday that it had no plans to tax income falling in the tax-free period. "Provisions bringing such income into charge could... lead to an excessive tax charge over the life of the employment, since when the accounts basis starts, some income is usually assessed more than once."

DIRECTORS' PAY

Rearrangements that lead to a windfall

DIRECTORS who rearranged their affairs between the Budget and the end of the tax year on April 5, in anticipation of a possible loophole arising from the Budget, will share in an £80m tax windfall this year.

The loophole was available to directors who were paid on the "accounts basis", which involves paying tax on remuneration shown in their company accounts during a particular tax year.

For instance, if a company's year ended on December 31, 1988 and its directors were taxed on this basis, they would pay tax on the pay shown in the accounts for the tax year ending on April 5. Earnings between January 1 and April 5 would then be taxed in the next tax year.

Under the new system, directors and employees will be taxed when they receive their pay, creating a "black hole" for directors on the accounts basis. In the example above, pay received after December 31 and before April 5 would not be

taxed at all.

In anticipation of this loophole, some tax advisers were recommending their clients to bring forward as much of their pay as possible before April 5. However, most had expected the Revenue to take action to block this form of avoidance.

The Revenue said yesterday that it had no plans to tax income falling in the tax-free period. "Provisions bringing such income into charge could... lead to an excessive tax charge over the life of the employment, since when the accounts basis starts, some income is usually assessed more than once."

The Bill contains a number of other provisions, however, to prevent directors taking part of their income out of tax.

CLOSE COMPANIES

Builders and developers breathe a sigh of relief

HOUSE BUILDERS, property developers and management buy-out teams are among the main beneficiaries of the close company provisions contained in the Bill and in amendments which are proposed when it goes to committee stage.

The abolition of the close company apportionment rules aims to end taxation of undistributed earnings of trading companies - while retaining it for investment companies - and to remove a lot of red tape. Several hundred thousand companies are defined as close companies - of which only five per cent are involved in investment activity.

One clause excludes as an investment activity dealings in land connected with works which substantially increase the value of the land. House builders and property developers had been worried after the Budget that their land dealing activities would be classified as

subsidaries of quoted companies as is the case under the approved share scheme legislation. Nor can an ESOT purchase restricted securities unless the restrictions are imposed by the articles of association. Finally, the Revenue will want to be satisfied that the Trustees have not paid over the odds for any shares they purchase.

Even after these myriad conditions have been fulfilled, tax relief will not be given unless the following time limits are met:

The ESOT must spend any money received from the company within nine months after the end of the financial period in which it is paid.

A longer Bill means higher bills

Richard Waters reports on tax advisers' concern about growing legal complexity



With apologies to Rembrandt's Anatomy Lesson, Margaret Town

This year's Finance Bill is the longest and most detailed ever produced. In spite of following one of the least startling Budgets of recent years, experts say that this will result in higher costs for taxpayers: their advisers' bills will rise as the new legislation is digested and applied.

"It's good news for us," said Mr Roger White, partner in charge of tax at accountants Peat Marwick McLintock, which has the country's largest tax advisory business with more than 750 tax experts.

None the less the tax profession is generally perturbed about the sharp increase in the complexity of the tax system in a year which has seen fundamental changes in the law. Anything which is had for their clients is ultimately bad for them too.

The Bill runs to 190 clauses - 30 more than last year's mould-breaking effort and 50 more than the reforming 1984 Finance Act.

However, one large section of the bill, running to nearly 30 clauses, enacts proposals made several years ago by the Keith Committee to update the powers of the tax authorities. These clauses affect the management of the tax system, rather than the system itself.

Mr Adam Broke, head of tax at Arthur Young and vice chairman of the Institute of Taxation, said: "It would be justifiable if they were dealing with some of the endless points people have put forward over the years, or were dealing with

major changes, but they're not... I find it infinitely depressing."

Nigel Lawson, the Chancellor of the Exchequer, has said in the past that one of the principles behind the tax reforming measures of recent years has been to simplify the tax system. This was meant to be achieved through lower tax rates and the removal of tax shelters.

However, new tax shelters have been set up to replace old ones, while fresh anti-avoidance rules have far outweighed the removal of defunct ones.

The Business Expansion Scheme, introduced six years ago, provides an indication of the progress of tax law in recent years.

Originally intended to encourage investment in unquoted shares, the scheme had to be tightened repeatedly to prevent a series of abuses before it was extended last year to cover private rented accommodation - only to lead to the creation of "close" companies through which BES investors could enhance the tax incentives in a way never foreseen by the government.

"It started out as a way of helping small companies, and now what have we got? - numerous close companies owning rented accommodation," grumbled one tax professional.

The only significant simplification of tax law achieved this year has been the removal of the apportionment rules for close companies. These prevented companies with five or fewer controlling directors building up profits to avoid paying them out and attracting top-rate income tax - a technical nicety made redundant by last

year's reduction in the top rate to 40 per cent.

However, in place of these rules are new anti-avoidance rules for small investment companies which themselves run to seven clauses, as well as a range of other measures intended to prevent companies using the tax system to reduce their tax bills. One particularly complex piece of anti-avoidance legislation, concerning the sale of subsidiaries by a parent, has not even been included in the Bill because it is still being drafted.

Tax experts generally deny that they are responsible for the complexity, although they accept that increasingly sophisticated tax planning has prompted the legislators to keep pace by introducing ever more complex rules.

Commenting on the moves to prevent tax avoidance on the disposal of subsidiaries, Mr Broke said: "You could lay these things out on our door."

However, the sentiments of Mr Broke and his counterparts at other firms were summed up by Mr John Andrews of Coopers & Lybrand, who said: "You can go through this bill clause by clause and the accountancy profession hardly accounts for any of it."

The Treasury said yesterday that the extra complexity in this year's Bill was because the areas of tax being dealt with "are intrinsically very complex." Nor is next year's bill unlikely to be simpler: "We are moving into areas which are even more complex," the Treasury warned.

Shares to be acquired by an ESOT must satisfy a number of conditions. They must not be shares in a subsidiary company - there is no let-out for

CAPITAL GAINS TAX AND INHERITANCE TAX

An end to posthumous tax planning

A RECENT report* by the Institute for Fiscal Studies concluded that the taxation of gifts and death is something of an irrational mess. The Finance Bill contains two particular measures affecting that mess, both of which will necessitate a review of existing tax planning arrangements.

Since 1971 capital gains tax (CGT) has not been charged on death. Assets are inherited at their market value on death. Nobody would suggest that tax should be forgiven on income accrued before death, so why should tax on accrued capital gains?

Superficially an answer is that, on death, inheritance tax (IHT) is payable and, since 1987, the single 40 per cent rate of IHT has been the same as the top rate of CGT. That answer does not, however, bear closer examination.

person to another. Second, IHT is essentially a voluntary tax which hits those unfortunate enough to die unexpectedly and those who do not trouble to plan for their death.

The CGT exemption on death is unaffected by the Bill. The IHT nil rate band is increased from £110,000 to £118,000. The major restriction to tax planning on death, however, relates to deeds of variation. Such deeds have allowed the beneficiaries of an estate to rearrange its disposition in a tax efficient manner within two years of death. Their advantage lay in the ability to plan against a known set of family and tax circumstances. In particular, a deed could be used to ensure that assets passed to the younger generations of a family where it was apparent that the older generation had no need of further resources.

For deaths that occur after the Finance Bill receives the Royal Assent (which will be around the end of July), the use of such deeds will be

severely curtailed. Post-death variations will only be permitted in three cases: first, where there is a disclaimer of benefits under a will or an intestacy; second, pursuant to a Court Order making adequate provision for the deceased's dependants; and, finally, where the variation is to make such provision as could be ordered by the Court. There are likely to be few occasions when a disclaimer will have a tax planning use.

An alternative to a deed of variation was a discretionary will. Under such a will, the executor had a discretion as to the distribution of the estate within two years of death. Such wills were left unaffected by the Budget, but the Finance Bill ensures that they will no longer be effective for tax purposes and may be positively disadvantageous. Similarly, gifts to individuals to distribute according to a letter of wishes will be treated as a gift to that person rather than to the ultimate recipient.

Individuals will now have to

be more prescient in their arrangements. It will no longer be possible to imagine that any flaws can be put right after death. Existing wills should be reviewed. Discretionary wills must be reconsidered immediately and probably redrawn.

With the limitation on post-death arrangements, life-time planning assumes a more important role. The Finance Bill, however, limits planning as an asset that can be given away without incurring an immediate Capital Gains Tax (CGT) charge. Broadly, the gain that would otherwise have arisen was held over until the recipient himself disposed of the asset.

On and after March 14 1989, gifts will attract an immediate CGT charge based on their market value. Hold-over relief continues for certain business, agricultural shares or securities, including shares or securities in certain trading companies and groups, for gifts to political parties and gifts on which there is an immediate

IHT charge.

This final category of gift would usually cover the creation of a discretionary trust (where distributions are at the trustees' discretion) or gifts to a company. Such gifts will still attract hold-over relief even if they fall within the IHT nil rate band or the IHT annual exemption of £3,000.

Where hold-over relief is not available or is not claimed on a gift of land, of unquoted shares or securities or of controlling interests in companies, the tax may be paid in 10 equal yearly instalments. Interest will, however, be payable on outstanding instalments.

Those not wishing to create discretionary trusts, but preferring to make lifetime gifts, may consider using cash or property on which (after indexation relief) no gain arises or where the gain is covered by the annual £3,000 CGT exemption.

It is likely that the creation of discretionary trusts, especially those with property initially worth less than £18,000

David Cohen

The author is a partner in the London law firm of Poinser & Co.

Malcolm Gammie

The author is a partner in Linklaters & Paines, the London solicitors.

Other business . . .

ITS OFFICIAL: £8,500 a year no longer qualifies you for the title "higher paid", at least in the opinion of the Inland Revenue, writes Peter Martin.

That earnings level has been, since 1979, the point at which employees and directors become eligible for tax on payments in kind.

Now, the Revenue points out that calling such people higher paid "has become inappropriate, and can be misleading, since £8,500 is well below the

national average for full-time earnings.

So the Finance Bill drops the phrase "higher paid", but keeps £8,500 as the threshold. The Inland Revenue hints that this is unlikely to change: "This threshold has applied since 1979 and the Government have at no time sought to increase it since in principle all employees should pay income tax on the whole of their earnings, whether received in cash or kind."

THE CUSTOM of blending "made wines" of different duty strengths is to be prohibited in the UK following complaints to the European Commission from the Spanish Government, writes Lisa Wood.

"Made wines", generally called British wines, are made up in the UK from imported grape must. Big producers include J. Mather, a subsidiary of Matthew Clarke and Vine Products & Whiteways, part of Allied Lyons.

Spanish drinks manufacturers claimed UK Customs rules discriminated against their products after the prohibition in 1985 of the practice of duty paid blending of imported different wine strengths enables producers to average out prices. Mr Tony Gibson of J. Mather said profit margins had been slightly affected, but there had been modest price increases since J. Mather stopped the blending of wines of different duty paid strengths.

*Death, CGT and IHT are taxing different things: CGT taxes that part of the return on investment represented by the increase in its value; IHT taxes transfers of wealth from one



RESPOND is the RAC's new Computerised Customer Support System. The first phase, run from our UK Data Centre, is just one of a number of facilities management contracts won in 1988.



Project JASMIN, a study of the German sub-system within NATO's Battlefield Information Collection and Exploitation System.

NORWAY

April 1988 saw the merger of Systems Designers and Scicon, creating one of the largest European software systems and services groups, with more than five thousand staff in over fifty offices worldwide.

Now, barely a year later, the combined strengths and complementary skills of our staff have been fully integrated, resulting in a major force in our industry.

Our operations span six major market sectors: communications, finance, energy, industry, defence and aerospace and civil government. Each sector is supported by leading-edge technology research in key areas.

Last year nearly three quarters of our turnover came from Europe, with sales from our French and German companies contributing over half of this European total.

With the approach of the Single European Market in 1992, we are well placed to meet the challenge of servicing the needs of our present and future clients.

And in the USA our specialist companies servicing the financial and automotive sectors have maintained their strong market positions.

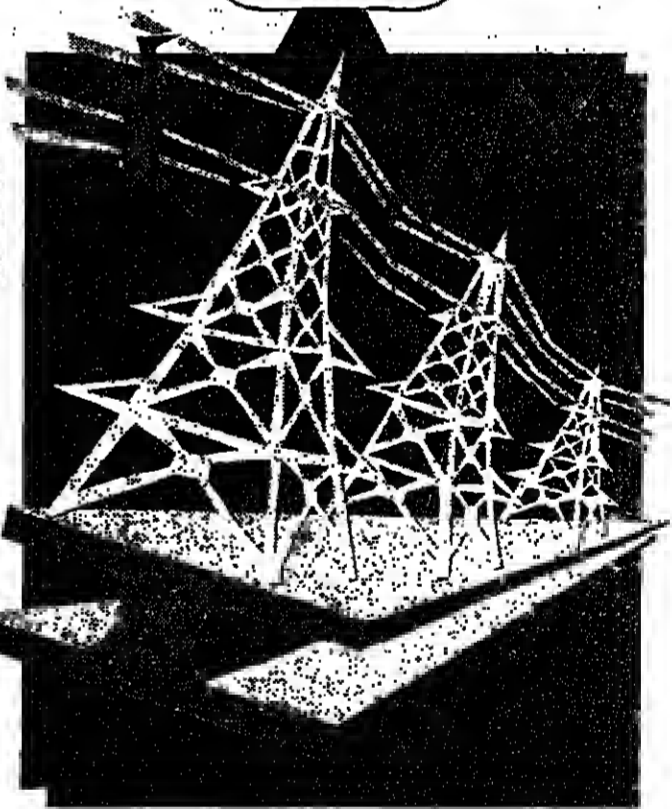
But whatever the areas of operations, our total commitment to quality of product, excellence of service and international strength underlines our strategy for the future.



The contract for the Norwegian Meteorological Message Switch was the fifth national meteorological system recently won in Europe, reinforcing SD-Scicon's position as a leading European supplier.

In partnership with Bull, the major French owned computer manufacturer, we are developing the reservation and administration systems for the new Opéra Bastille in Paris, to be inaugurated during this year's celebrations of the Bicentenary of the French Revolution.

SPAIN



In Spain, one of Europe's fastest growing industrial economies, we have established a strong position in capital plant maintenance systems with five contracts in 1988 in the steelmaking, oil and electricity industries.

FINANCIAL HIGHLIGHTS		
	1988 £'000	1987 £'000
Turnover	221,565	83,644
Operating Profit	15,386	8,367
Profit Before Tax	13,354	7,363
Earnings Per Ordinary Share	4.01p	3.84p
Dividends Per Ordinary Share	0.75p	0.65p

Extract from the Accounts for the year ended 31st December 1988 which contain an unqualified audit report and which have not yet been filed with the Registrar of Companies. Earnings per share have been adjusted to take account of the rights issue in April 1988. The past is not necessarily a guide to the future.

Our 1988 Annual Report will be published in mid April. For a copy, please contact the Company Secretary, SD-Scicon plc, Centrum House, 101-103 Fleet Road, Fleet, Hampshire GU13 8NZ.

It all adds up to a successful year.

SD SCICON

SD-SCICON PLC

The contents of this advertisement, for which the directors of SD-Scicon plc are solely responsible, have been approved for the purposes of section 57 of the Financial Services Act 1986 by Ernst & Whinney, a firm authorised by The Institute of Chartered Accountants in England and Wales to carry out investment business.

MANAGEMENT

General Electric The alliance-maker

Paolo Fresco, the man behind yesterday's deals with GEC, talks to Christopher Lorenz about his global role within the US group

Paolo Fresco is about to enjoy his first relaxed weekend since October. As the person who launched the idea that his company, the giant General Electric of America, should forge several joint ventures with Britain's GEC, and who conducted much of the negotiations in person, Fresco is delighted that contracts were finally signed yesterday.

The three long months of detailed negotiations since the alliances were first "cut", as he puts it, have been less frenetic than the week in mid-January which culminated with agreement in principle between the two partners. Then he managed to snatch only 10 hours' sleep in six days.

The strain goes back to last autumn. Following discussions between GE and GEC in mid-1988, things began to get really hectic from late October, with Fresco and his colleagues having to play what he calls "a multi-dimensional chess game" trying to anticipate possible moves by every interested party in the future of GEC, Plessey, and the whole European electronics industry.

There has been no more midnight sessions since January, but there have still been heavy pressure points. "Every time you're in the middle of something like that, you think there's a crisis," Fresco says. "But the GEC deals have been less complicated than others I've worked on."

There have been plenty of those. Under the prosaic title of senior vice-president international operations, Fresco has become very much GE's global alliance maker over the last few years, as the US company has manoeuvred furiously to escape from the North American isolation of most of its businesses, and to build leading global positions in them.

A tall, tough Italian of 55 who moves - and talks - with all the energy for which his mother country is famed, Fresco has prospered under the chairmanship of "neutron Jack" - Jack Welch, the man who has transformed GE from a worthy engineering hulk chip to one of the world's most entrepreneurial and controversial conglomerates.

Over the past few years Fresco has negotiated (and often helped initiate) scores of alliances for GE, as far apart as Europe and Japan, taking in South Korea, India and Saudi Arabia. He has also acted as chief negotiator in such major deals as GE's 1984 sale of Utah International, a US/Australian mining company, to BHP of

Australia for \$2.3bn, and the 1987 swap of GE's \$3bn consumer electronics business for the medical systems interests of Thomson of France. Working closely with Welch himself, with the two vice-chairmen in Welch's Connecticut corporate executive office, and with the US-based heads of GE's 14 constituent businesses, the London-based Fresco says "my job is to be the eyes and ears of GE around the world. If I spot an opportunity, I say 'let's do something'."

This applies as much to the reinforcement of sales efforts in particular businesses and divisions as to the launch of new alliances and takeover bids. A few years ago, for instance, Fresco prompted GE's very US-focused defence division to accelerate a sales drive in the Far East. In Europe, he sparked the establishment of a special regional organisation to develop GE's medical systems business - a move which helped more than triple European medical revenue in two years, and paved the way for the Thomson swap.

Fresco calls the latter aspect of his job "the management of transitions." Whether it be the nurturing of medical systems, or the husbanding of GE's European factory automation interests until they were either sold or put into joint ventures, he says "I fill vacuums. All these assignments are temporary - once they are complete, I get out of the way."

With his additional responsibility of representing GE to governments and other "constituencies" in 16 countries around the world - mainly major developing nations - Fresco's life is exceedingly jet-bound. "Last year I was in the UK for only 112 days," he says.

His wife feels the travel load has grown worse in the last three years, since his responsibilities were enlarged to include the Far East, and since GE's global alliance push really got under way. This not only involves visits to the potential partners, but also more transatlantic travel. "If I come up with ideas such as doing a mega-deal with GEC, I have to talk with lots of GE people in the US," says Fresco. "Phone calls are not enough."



Paolo Fresco: "The GEC deals have been less complicated than others I've worked on"

Another occupational hazard arises from the unusually sensitive role of Fresco's 55-person unit within the GE organisation - there is plenty of potential for upsetting the business heads. In addition to 11 business development, planning and other executives based in London, his staff includes 35 people in developing countries, as well as a seven-person business development unit in Tokyo. Two years ago, when Fresco had line responsibility for more GE "transitions" than at present, he had a good 1,000 people under him - the complement fluctuates according to commitments.

"Reactions to us vary," he says. In dealing with GE colleagues, he and his staff have to deploy what he calls "the authority of knowledge, rather than organisational authority." In some cases, such as his defence initiative in the Far East, friendships with executives in the relevant division made things relatively easy.

But when he initiated the establishment of Medical Systems Europe, the division back in the US "was not so enthusiastic about this 'splinter group'." But success reduced the friction," he says.

The relationship with newly-established joint ventures has to be handled particularly carefully, Fresco will be one of GE's representatives on the boards of the GE-GEC ventures, together with the relevant business heads from the US. But informal relationships will be more important, he says.

The extent of his own involvement is something of an open question. "For me, the ventures will very quickly become past transitions," he says. "I expect to be personally involved for only a year or so." But he adds quickly that "I will be the main GE actor in defining European expansions" for the ventures - which is, after all, one of the main purposes of their existence. To the blunt question of

whether GE and/or GEC may try to use the ventures to benefit at the expense of the other - a hidden agenda which other international alliance partners have carried out with great effect - Fresco is emphatic that joint ventures should be "win-win" relationships, which really benefit both sides. This is in spite of his Italian lawyer's training, which taught him to try to get the shirt off the other party's back.

Lawyers must take part of the blame for making alliance negotiations so nerve-racking, says Fresco. "They try to resolve future difficulties today by introducing contention. They ask what will happen six months from now if one partner tries to do the dirty on the other."

For other reasons, too. "I've never seen a deal that might not collapse at the last minute," Fresco continues. The initial agreement in principle sometimes prompts a competitor to react, and the inevitable negotiations over fine detail frequently finish out new deals, either about the other party, or about oneself.

Just such a development since January was GEC's realisation of the difficulty of separating its West German medical systems business from the rest of GEC's UK business to GE. Naturally enough, Fresco refuses to comment on whether GEC's general reputation for putting short-term financial gain ahead of long-term benefit is justified, and could interfere with the joint ventures in the future. "Only time will tell," he says, going on to his way to praise GEC's tight financial targets and good profitability.

But Fresco does stress GE's own view that alliances are valuable "not for what they bring in the next two years, but by the year 2000. There are people who ask 'is a particular alliance going to create a dilution next year?' - that's not our mentality."

Having found a strong UK partner, Fresco says GE still needs to take four or five further steps to strengthen itself in the rest of Europe. "I've been unhappy to see the months going by without progressing them," he says. Now he'll have time to take the plane to Paris, Frankfurt or wherever.

Africa's private sector Nurturing a profit motive

Stephen Fidler on an initiative to raise management standards

The post-colonial preference of African countries for the state to guide most areas of economic activity is on the wane. Encouraged by the International Monetary Fund and World Bank, many countries in sub-Saharan Africa now appear to be convinced that there are benefits to be gained from a more vigorous private sector.

Statist policies have, however, impoverished the private sector, starving it of resources and talent. From the poor farmer, whose livelihood has been threatened by food prices artificially held down for the benefit of the urban poor, to the would-be entrepreneur, who faces foreign-exchange shortages, electricity brownouts, imposed prices and government interference, the task of revitalising private enterprise will be a tough one.

Well educated Africans have been attracted to the public sector in many countries, while more than a decade of economic decline has intensified a brain drain.

Daunting

Many African countries suffer from daunting infrastructure problems. On top of that, poor management is widespread. The apparently simple task of getting goods that people want at prices they can afford is not so simple in an environment of poor financial management, non-existent cost control, no sales forecasts, limited technical competence and an inability to explore market conditions.

But in a culture where management skills are undeveloped, where do they come from? The International Finance Corporation - the private sector arm of the World Bank - has been working towards one possible answer, which it hopes will help accomplish at the company level what the World Bank and IMF have been trying to do at the economy level.

The idea is a profit-making company called the African Management Service Company, or AMSCO, which was launched yesterday in its new headquarters in Amsterdam, where it enjoys a tax-free environment. Through management con-

tracts, AMSCO will provide skilled senior managers, usually with experience in Africa, to run African companies. They will attempt to return companies to profitability and train African managers to take their places when they leave.

The shareholders in the venture are the IFC itself, various national development funds, the African Development Bank and, most significantly, western private sector companies, of which more than 40 have already signed on. From these companies is expected to come the management expertise to run the venture.

Its start-up capital will be \$7m with a further \$4m available in the form of loans or grants for those wishing to use AMSCO's services. AMSCO will operate under the umbrella of the United Nations Development Programme, which will give it tax-exempt status in Africa.

One problem AMSCO will not have to face is a lack of demand for its services. As Sir William Ryle, the IFC's executive vice president, explained in Washington last week: "Many African countries suffer from a shortage of highly trained personnel. There isn't a lot of experience in running companies and there seem to be more management problems in that region of the world than elsewhere."

According to Keith Norman, who has been responsible at the IFC for bringing the idea to fruition, the seeds of the idea were sown by the poor performance of the IFC's own investments in Africa. It was an experience shared by national development finance bodies.

Studies in eight countries alone suggested 70 good candidates for AMSCO among its shareholders' own investments in companies with between 100 and 1,000 employees - AMSCO's target size. Since the project is deliberately starting small, this would be enough to keep it going for at least five years.

But as Norman says: "Demand is there from the sponsors but we can't close the door on others." These others might include state companies, and candidates for privatisation. In Madagascar alone, for example, there are 350 state enterprises, including the

state-run taxi service. "It would just be impossible to exclude the state sector," he says.

Nevertheless, AMSCO will not brook government interference, unless it is to set the broadest guidelines. "We'll take a very long cold look at each company and make a very thorough diagnosis. The fact that it may be politically or socially desirable won't be relevant. What will be relevant is whether a company can operate at a profit."

AMSCO, which will also run specialist training courses, should be available to deliver other advantages. Many African companies have little contact with the outside world and their access to capital is highly restricted. If the project works well, contacts abroad, co-operation on technology and some foreign investment from AMSCO shareholders could be potential by-products.

The link with the African Development Bank is also seen as important. There is a legacy of anti-colonialism in Africa and a mistrust of western companies, particularly multinationals.

Sidetrack

Bringing in western experts from 30 companies thrown out of Africa 20 years ago would not be good politics, whereas the ADB imprimatur gives the project an African flavour. In any case, AMSCO will only operate in countries with government agreement.

The AMSCO project starts with a personnel of about half-a-dozen. Its operations will be a drop in the bucket when compared with the totality of the problems facing the African private sector.

Doubts too will centre on the cost effectiveness and usefulness of using expatriates in Africa. AMSCO says it will only use managers with African experience, but the question of whether the highest quality western executives will want to sidetrack their careers by going to Africa will remain an important one. Others question whether it would not be more cost effective to establish local management courses.

Supporters say that returning a company to profitability will more than pay the costs.

New Issue April 14, 1989

All these Bonds having been sold, this announcement appears as a matter of record only.

REPUBLIC OF AUSTRIA

DM 750,000,000 6 3/4 % Bonds due 1999

WESTDEUTSCHE LANDESBANK GIROZENTRALE

DEUTSCHE BANK AKTIENGESELLSCHAFT

DRESDNER BANK AKTIENGESELLSCHAFT

BANK BRUSSEL LAMBERT N.V.

BANK OF TOKYO (DEUTSCHLAND) AKTIENGESELLSCHAFT

BANQUE PARIBAS CAPITAL MARKETS GMBH

BAYERISCHE HYPOTHEKEN- UND WECHSEL-BANK AKTIENGESELLSCHAFT

BAYERISCHE LANDESBANK GIROZENTRALE

BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT

BHF-BANK

COMMERZBANK AKTIENGESELLSCHAFT

CREDITANSTALT-BANKVEREIN

CREDIT COMMERCIAL DE FRANCE

CREDIT LYONNAIS SA & CO (DEUTSCHLAND) OHG

CSFB-EFFECTENBANK

DAIWA EUROPE (DEUTSCHLAND) GMBH

DEUTSCHE GIROZENTRALE - DEUTSCHE KOMMUNALBANK -

DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

GENERALE BANK

GENOSSENSCHAFTLICHE ZENTRALBANK AG VIENNA

GIROZENTRALE UND BANK DER OSTERREICHISCHEN SPARKASSEN AKTIENGESELLSCHAFT

INDUSTRIEBANK VON JAPAN (DEUTSCHLAND) AKTIENGESELLSCHAFT

KREDIETBANK INTERNATIONAL GROUP

J.P. MORGAN GMBH

MORGAN STANLEY GMBH

NOMURA EUROPE GMBH

OESTERREICHISCHE LANDESBANK AKTIENGESELLSCHAFT

SCHWEIZERISCHE BANKGESELLSCHAFT (DEUTSCHLAND) AG

SCHWEIZERISCHER BANKVEREIN (DEUTSCHLAND) AG INVESTMENT BANKING

SOCIETE GENERALE - ELSASSISCHE BANK & CO.

SÜDWESTDEUTSCHE LANDESBANK GIROZENTRALE

TRINKAUS & BURKHARDT KOMMANDITGESELLSCHAFT AUF AKTIEN

VEREINS- UND WESTBANK AKTIENGESELLSCHAFT

S.G. WARBURG SECURITIES

A MONTHLY UPDATE ON 1992 FREE TO CORPORATE TREASURERS AND FINANCE DIRECTORS

FREE SUBSCRIPTION



THE BANKER, published by the FINANCIAL TIMES runs an inside "1992 Update" every month. It also gives a comprehensive briefing on the issues, the deals and the key big money players - first hand. THE BANKER provides an overview which allows the finance director of any size of company to judge who really can give the best services - where to go for the best deal and how new instruments measure up.

As a corporate treasurer or finance director, you can be fully informed of what is happening in the financial markets in the run up to 1992 by taking advantage of our special offer. Simply fill in the coupon and return it to the address shown and you will receive THE BANKER ABSOLUTELY FREE.

Reply today and keep ahead of the game with the very best business intelligence - with the compliments of THE BANKER.



Complete, detach and send this coupon to reserve your complimentary subscription to THE BANKER. YES, I would like to receive THE BANKER free and without obligation, starting with the next issue.

Signature Date (Block capitals please) Mr/Mrs/Ms Company/Private Address

Postcode Some information about yourself (Please tick one) Are you: Corporate treasurer/Finance director Company Secretary

Reply to: THE BANKER Marketing Dept., Greyhound Place, Fetter Lane, London EC4A 3DF

THE BANKER A FINANCIAL TIMES MAGAZINE



FINANCIAL TIMES SURVEY



Analysts agree that the scale of potential development in Leeds goes beyond any conventional

ripple effect in the UK economy. This bodes well for the city as it continues its bid to attract major companies and professionals, writes William Cochrane

A rapid rise in regional status

"WE ARE LOOKING at a possible change of role, to Leeds the super-city, Leeds the capital of the North." Manchester may have something to say about this. But Mr Martin England, chief executive of the Leeds Development Corporation, has more than sentiment on his side.

Property-men, city fathers, financiers and builders say that the scale of potential development goes beyond any conventional ripple effect in the UK economy. Office, retail and major mixed development proposals reflect wealth, excellent road and rail communications, and ample land resources.

According to Mrs Jean Dent, of the Leeds City Council's department of industry and estates, Leeds started 1988 with 74m square feet of built office stock, and 54m sq ft of retail space in its central business area. However, there are proposals for another 2m sq ft of office, and nearly 800,000 sq ft of retail space in the centre, some of the retail development replacing the existing shopping provision.

This, more or less, would allow the city to keep up with the economic recovery, boosted by booming demand from professionals such as accountants and solicitors for office space.

It would also, given the scale of developments proposed by local developers like Mountleigh Northern and Town Centre Securities (550,000 sq ft and 400,000 sq ft of offices, respectively) allow Leeds to attract companies looking to relocate their headquarters in the city.

In January, another local developer, Evans of Leeds, received the green light for its most significant development to date when Mr Nicholas Ridley, the Environment Secretary, gave the go-ahead for its White Rose Centre, a £100m edge-of-town shopping and leisure complex on a 91 acre site in south Leeds, close to the M1 coming from the south, the M62 crossing the country from east to west, and the M621 spurring off the M62 for Leeds itself.

With the prospect of head-quarter offices and a true regional shopping centre in the White Rose, Leeds could argue for regional status. But it now has a chance of a national attraction in the scheme proposed by Triple Five for a gigantic combination of commercial, retail, residential and ancillary space, the latter including a theme park.

Triple Five builds big, and thinks big. It is famous for its West Edmonton Mall in Alberta, Canada, with its 4m sq

ft of shopping, incorporating a 394,000 sq ft "Fantasyland" fun-park - the latter taking in a wave-pool, white-knuckle roller coaster, submarines and dolphins.

A year ago, it was planning something even bigger: a project stretching to 10m sq ft called the Fashion Mall of America at Bloomington, Minnesota.

CONTENTS

Public sector	
Offices	2
Industrial units	2
Shops	3
Homes	3
Profits: Leeds; Medical Bar; Evans of Leeds	4
Developers	4

Bloomington has a population of only 80,000, but Mr Maurice Sunderland, the architect who designed West Edmonton Mall, told an international conference in Geneva that there were 33m people within 200 miles of the town.

It is believed that the company looked at other prospective locations in the UK, and in northern Germany before it settled for Leeds. The latter is excited - it is also a little worried - since Triple Five's plans apparently include 3m sq

ft of office space which could lead to indigestion in the commercial market.

In this atmosphere, it could be that the depth, and expertise of public sector involvement in the city could serve it well.

Mr Mel Burrell is chief executive of the Leeds City Development Company, spun off by the city council in partnership with Mountleigh and Bovis Urban Renewal. He says that Leeds is currently down the league from Birmingham and Manchester in terms of office space per head of population and thinks that its present impetus could take the city a long way.

"I believe that, given the appropriate strategy, Leeds has the basis to actively increase its attractiveness, and levels of demand," he says. "Look at Glasgow, or London's Docklands. It's all about promotion or selling."

Mr Burrell observes that while Leeds is seen as "ok" by outsiders - Prudential Assurance and the P & O Group, Bovis's parent, are names that come immediately to mind - the reason why schemes by local developers are so prominent is that most of its investment to date has been internal, from groups like Mountleigh or Evans.

The latter, for instance, has designs on Hunslet, which was the heavy engineering centre of Leeds. Mr David Halliwell, group estates surveyor for Evans, describes it as "a mess of old, run-down industries together with small companies, the latter doing well in old property and really needing better accommodation."

Evans is working with Vickers, a major landowner in the area, and the Leeds Development Corporation (LDC) to put together a joint scheme with the city council to develop the whole area, which looks right at the moment for good quality industrial units.

Statistics for the industrial sector cover the Leeds Metropolitan area, or 217 sq miles. These state that total occupied industrial space was 44.1m sq ft towards the end of last year, with covered warehousing adding another 32.3m sq ft. The area has 465 hectares (1,127 acres) of land available for industrial development of which 64 hectares (159 acres) has planning permission.

The city council's Mr Chris Tabbutt says that the latter is roughly equivalent to 2.27m sq ft (211,000 sq m) of development and that construction started in 1988 on 1.19m sq ft (111,000 sq m). He adds, however, that an unidentified pro-

portion of the latter would be development for business, or quasi office use rather than for straight sheds.

Mr Adrian Horner, of agents Weatherall Green & Smith, takes up the point. He says that there is a desperate need for the industrial development now in the pipeline.

"There are no industrial buildings around," he declares, noting that rents are comfortably established at £4 a sq ft and moving higher, adding that the hinterland, south of the city, with its established motorway connections, looks ideal for further development.

A recent paper from the firm says that the area around the M62/M1 intersection at Wakefield and Normanton has seen dramatic developments during the past few years; in all, some 1.5m sq ft of space has been built there during the past 18 months, with more buildings already started and much more land available.

So while inner city decay is self-evident, where it exists, developers moving into Leeds are advised to remember that this is a strong, mixed economy. "Unlike some urban development corporations, we don't have large tracts of derelict land," says Mr England of the government-sponsored LDC.

Where it does, he could see a new village for Hunslet on 50 acres. The LDC is also putting a lot of work into an environmental improvement programme, of which the first phase has been completed. "We have just planted 96,000 trees," says Mr England, "with the biggest concentration in the south central area."

Under the present circumstances the depth and experience of public sector involvement in Leeds could serve the city well

Leeds, of course, is located just south of some of the most beautiful country in the world, the Yorkshire Dales. Together with the increasing prosperity of the city, this has forced up the cost of living and working there.

Mr Neil Brown, a partner in the property department of local solicitors Hepworth & Chadwick, made the move from London himself and likes it.

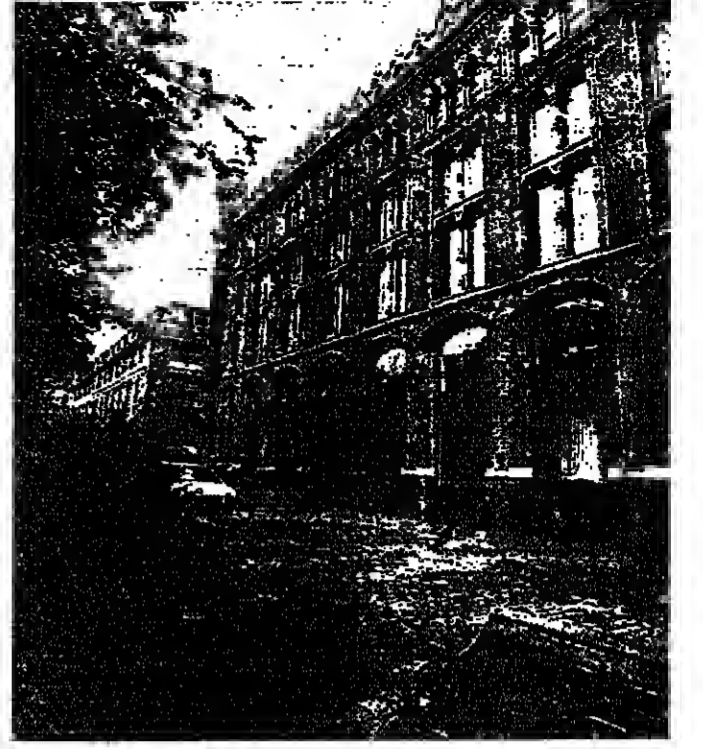
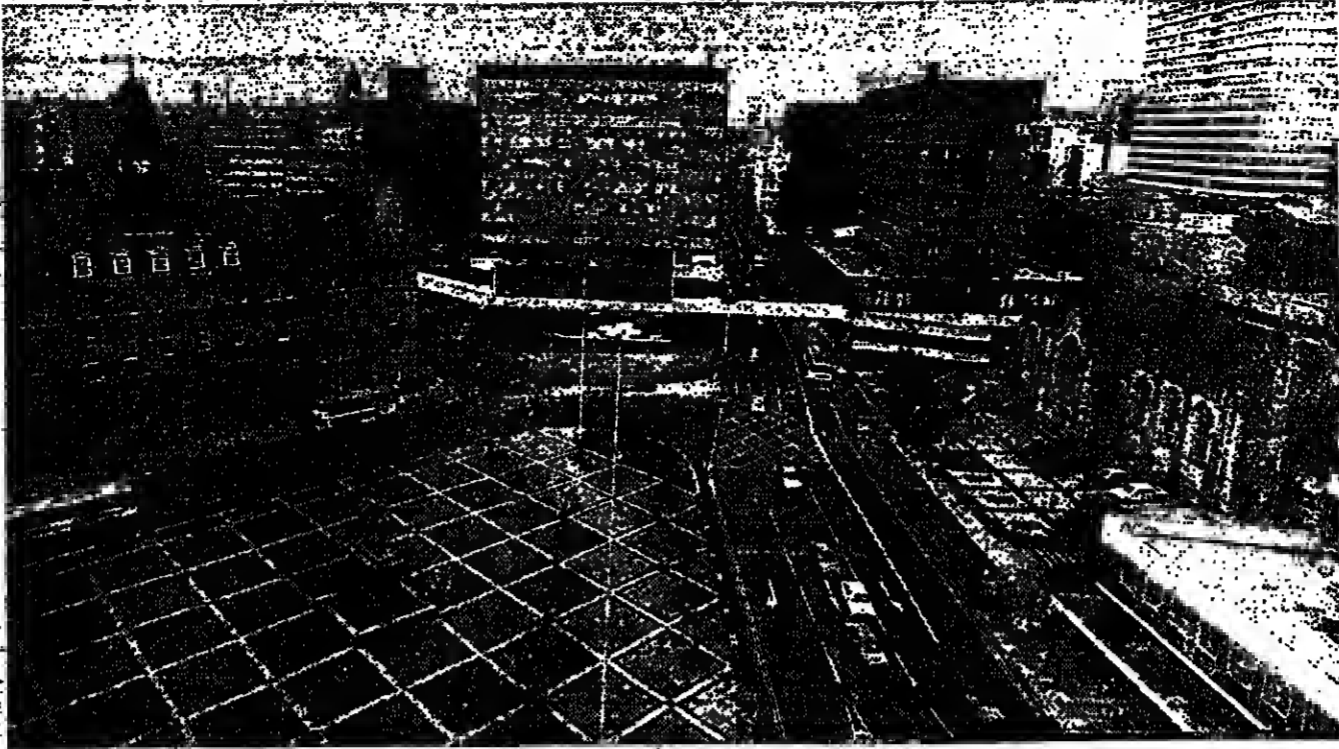
In a professional's overview of the property market in and

around the city, he notes on residential property that up to two or three years ago, Leedsers were able to move to Leeds and buy a substantial country property at a price equivalent to the sale value of a two-bedroom flat in Fulham.

"Quite a number of people in the commercial and professional offices in Leeds did so," he says. "However, the position has now changed dramatically and, in the most popular locations, quality property has become extremely expensive. Certainly the differential with London has largely evaporated."

It is not roses all the way. Mr Brown's competition, in the shape of Mr Michael Sleath at law firm Simpson Curtis, says that the city centre is just too compact.

"For a city which claims to have overtaken Manchester in terms of financial and service sector business," he says, "Leeds is sadly lacking in the essentials of modern day life, such as convenient car parking, hotels and even a more decent choice of quality restaurants for businessmen's lunches - a fact often lamented to me by surveyor colleagues who know about such things!" Surveyors, and their clients, may care to explore the opportunity.



Leeds city centre (far left) and a redevelopment of a warehouse which now houses several companies. Elsewhere in the city, builders are turning their attention to previously unfashionable areas

LEEDS PROPERTY

BOVIS LEEDS

The partnership between Bovis Urban Renewal and the City of Leeds is an excellent example of the private and public sectors working together to tackle the regeneration of Britain's inner cities.

It is a true partnership, addressing the urgent social and economic issues of job creation, career training, better housing and an improved environment.

As one of Britain's leading construction companies, Bovis have been involved in redevelopment for many years. Now, through the creation of Bovis Urban Renewal - a new company specially dedicated to the task - our commitment is complete.

And as part of P&O, Bovis Urban Renewal has access to all the necessary skills and resources. Our association with Leeds is a forerunner to similar partnerships throughout the country.

For more information, please call Steve Bennett on 0532-445895 or write to him at Bovis Urban Renewal Limited, 11 Park Square East, Leeds LS1 2NG.

Bovis Urban Renewal Limited

EVANS OF LEEDS PLC

Leaders in property investment and development

- * One of Yorkshire's largest property companies.
- * 50 years in Leeds.
- * Current assets well in excess of £100m.
- * £80m available for investment and development.
- * Development and Investment programme in Leeds in excess of £100m.

NEW OFFICE DEVELOPMENT

Lawnswood Business Park, North Leeds The most significant out-of-town office development in Leeds providing up to 180,000 sq ft of high quality accommodation in a 10-acre parkland setting. First phase 40,000 sq ft available October 1989.

OFFICE REFURBISHMENT

Minerva House, East Parade, Leeds City Centre office refurbishment providing some 55,000 sq ft of top quality office space on 9 floors with ground floor banking hall in prime location. Available early 1990.

RETAIL DEVELOPMENT

The White Rose Centre A 91 acre site in South Leeds with planning consent for a £100M regional shopping and leisure centre close to the M1, M62 and M621. Plans for The White Rose Centre include 650,000 sq ft of shopping space, a 200 bedroom hotel, multi-screen cinema and parking for 4,900 cars.

INNER CITY INDUSTRIAL DEVELOPMENT

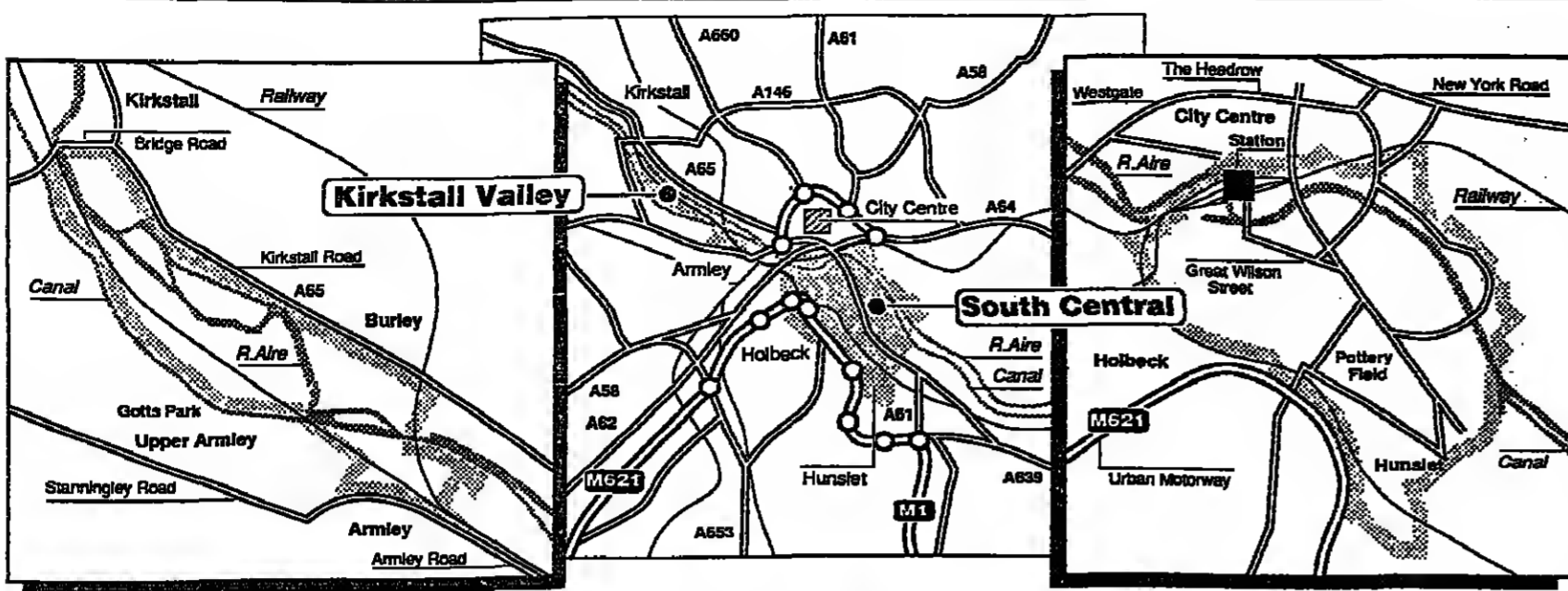
Apex Business Park Phase I - six units totalling 27,000 sq ft of mid-tech business accommodation recently completed and now let or under offer. Phases II and III to commence shortly.

Aibion Park Armley Approx. 250,000 sq ft of industrial, workshop and office space close to Inner Ring Road.

A number of other schemes to produce in excess of 350,000 sq ft of space are also planned for the inner city area.

For further information please contact Mr G. L. Best or Mr D. A. Halliwell (0532) 711888.

LEEDS PROPERTY 2



William Cochrane on plans to regenerate vast tracts of urban land

Business oriented public sector

THE PUBLIC SECTOR is making its impact on the Leeds property scene in more than one way. A new mini urban development corporation represents national government and, stemming from an active local authority, there is also an entrepreneurial combination of public and private sector interests.

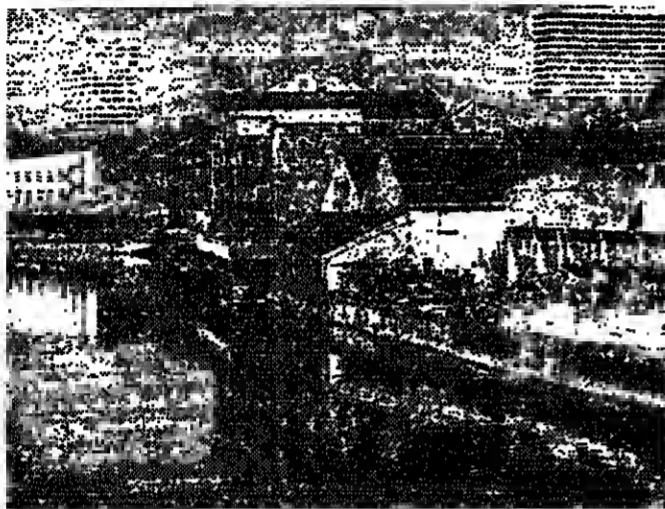
Central government brought in the Leeds Development Corporation, a mini UDC given a life of five years, and launched last June to regenerate some 930 acres of under-used land in South Central Leeds, and 380 acres in the Kirkstall Valley, west north west of the city centre.

Three months earlier the local authority had launched the Leeds City Development Company, in partnership with Mountleigh and Bovis Urban Renewal, supported by the council's own department of industry and estates. The LCDC, too, was aimed at urban regeneration, but it has more than 200 square miles of Leeds metropolitan area to pitch into. The industry and estates department had been pushing Leeds hard as a commercial and industrial location since it came out of recession in 1986, and had its strategy well in place by 1988, says Mr John Ansbro, the department's senior assistant director. But LCDC added non-political muscle, with an investment budget of £400m.

There have been suggestions that the LDC and the LCDC will get in each other's way. However, one is a planning authority, the other is a developer, and planners and developers should be able to rub along together when they both want to develop sites.

The LDC's plan, published last October, suggests that the corporation really does have a strategy.

All of the broad ground seems to be covered; and there



Part of LDC's inner city regeneration programme

are specific aims which indicate that it has got down to detail. These include:

■ "To facilitate the expansion of the city centre south of the railway viaduct, and to encourage the breaking of this psychological and physical barrier."

■ "To pursue a case with the Department of Transport, for the provision of a direct link between the northbound carriageway of the M621 motorway and the southbound carriageway of the M1."

These recognise that (a) Leeds city centre has been a tight little area, constrained not only by the railway but by the Headrow to the north, and the inner ring road to the west; and (b) that the best of motorway connections can end in frustration if they peter out short of their destination.

Major projects are already in the pipeline. Mr Martin England, chief executive of LDC, is waiting in the Kirkstall Valley for the joint developers - Mountleigh Northern and the LCDC - to file a complicated

planning application which would take in retail space of up to 245,000 sq ft gross, up to 350,000 sq ft of business park uses and up to 300 units of housing.

This, he notes, would take place on the site of a redundant power station, together with a now-demolished printing works.

"It's a difficult site," he says. "It needs flood prevention measures, a new drainage system, reclamation and land modelling; it has fairly substantial access requirements, and there would need to be open space and provision for wild-life and footpaths."

Development competitions are taking place for key sites like Centre Gate, which offers access to both the M1 and M621 only half a mile from the city centre; and Clarence Dock which offers prospects for a high-grade, mixed waterside development.

In south Leeds, he knows that the objective of bringing major development south of the River Aire could be

achieved if one giant scheme comes off.

Triple Five, the Canadian developer famed for its mega-combination of retailing and leisure at West Edmonton Mall, has chosen a 100 acre, south Leeds site for its first European venture.

This would comprise about 3m sq ft of offices, 2m sq ft of retailing, 5,000 homes, a 1,500 bed hotel and theme park, and a 250,000 sq ft trade and exhibition centre. Triple Five presented its outline proposals on March 20, and the local authority has 30 days in which to reply.

However the Triple Five scheme turns out, says Mr England, he is confident that the LDC will have a major success story to tell in three or four years' time.

Mr Mel Burrell, who helped set up the Teesside and Sheffield Development Corporations when he was with Coopers & Lybrand, is the chief executive of LCDC. He seems to be enjoying his role.

"If we were running a small development company," he says, "we would be in just a few schemes. In this company we are in about 40, with a share in each. We don't have to specialise in a sector; we go into different schemes with different developers, and in different ways."

Triple Five is looking to turn the development process on its head, says Mr Burrell. Normally, he explains, the developer would be expected to go in quietly, assembling his sites for a mega-development over a

long period of time. Here, it is a different story.

"They are saying that they will do an enormous scheme if the planners promise to use their enormous land acquisition powers, give a binding commitment to get the land and make the development happen. This thing is huge," he says. "It's all or nothing."

Depending on one's source, the development corporation has anything between 75 per cent and 90 per cent of the target land within its remit. It will have to take account of 120 sites within the area already occupied by companies - most of which, presumably, would have to move elsewhere - and a lot of other development proposals already existing for patches of the site. "These would have to be stopped," Mr Burrell notes.

Like others, he sees the advantages. "It would change the economic base of Leeds, which would become a European-renowned city - for whatever reasons," he observes. But the 3m sq ft of offices in the scheme disturbs property professionals in much the same way that Canary Wharf, the massive office scheme in Docklands, in London's East End, threatened the City of London from three miles to the east.

"There must be a question of oversupply," says Mr Burrell. "In Leeds lately, development has been led by the provision of commercial space, and it may be time to emphasise other uses."

INDUSTRIAL UNITS

Rising demand from producers

A CHAIN of industrial sites is forming south of Leeds, but new buildings should have been emerging 12 months ago, says Mr Michael Brodick of Eddisons.

He is a little concerned about what will happen if the economy falters. At the moment it is buoyant and exciting. And, if you look at major companies' profitability, they seem not immediately susceptible to interest rates.

When the motorways first reached Leeds there was a rush of industrial development which resulted in over supply. Between 1982-86 the excess was being absorbed. "Then suddenly we have another boom. It has been an extraordinary 18 months to two years. In relation to demand, there was little speculative development coming out of the ground."

"The institutions were reluctant to consider the North of England because of their previous experience. There was a debate: was this boom here, or wasn't it? Then they came back in. New properties are letting at between £4 and £5 a square foot. But, if you say Leeds is at £4.50, it must be appreciated that 95 per cent of industrial sites are not paying £4.50."

Mr John Kirk at Bernard Thorpe points out that, for scarce land, industry has been losing the contest with office parks, which pay higher rents and have pushed up land

prices from £50,000 to £150,000 an acre.

There is a phenomenal demand for basic industrial units, and increasing demand from people who want to make things as opposed to store. Industrialists who slimmed down have now outgrown their premises and need to expand or relocate. In the past 18 months, industrial rents have doubled.

The use of 1.5m pallets has also created a demand for buildings 9m high, taller than the current trend for 6.4m high structures. Mr Brodick hopes that new developments will give people better surroundings than the old rows of sheds separated by roadways choked with cars. "We are about to see a new generation of developments where more thought is given to design, to materials and, especially, to external landscaping and site coverage."

One of the biggest industrial schemes planned for Leeds is at the inland port of Stourton, south east of the city centre and close to where a new road from the A1 will meet the M1. Stourton is already a rail freight and container base with customs facilities. British Rail has confirmed that it will be a terminal for Channel Tunnel traffic. Leeds City Development Company, Mountleigh and Bovis plan to develop 30 adjacent acres for industry.

David Spark

OFFICES

Professional appeal

LEEDS DEVELOPERS were fully tested when a major client came looking for a big office and could not find it. Now the structural steel of The Embankment, the first Leeds building to offer over 100,000 square feet, towers above the River Aire.

But Mr Roland Stross, a chartered surveyor who teamed-up with a builder and an accountant to form St James Securities, the group building The Embankment, emphasises that it will not look like the Asda HQ across the river. In fact, it is not meant to look like any one building at all, but like a street with different windows and different brickwork.

"Leeds is the location people want to move to but there was no building large enough for the sort of companies we want to attract. We want to create the largest floor area on one floor but, outside, we want it to look as if it was five different buildings. We want to retain Prince Charles's personal feel, a human scale."

The Embankment, costing £30m, will not be West Yorkshire's highest development for long. Up over on the other side of the railway station, Town Centre Securities plans 400,000 sq ft on the old SR toothpaste factory site. Further up river still, on the western edge of central Leeds, Mountleigh Northern Developments has planning approval for the £100m Citygate, which will offer 650,000 sq ft.

Mr Geoff Goodwill, the managing director, says Citygate is one of several sites being considered for a 400,000 sq ft office relocation: he has had inquiries for 300,000 sq ft and 250,000 sq ft. "It will need a substantial pre-let to get the show on the road but 100,000 sq ft could get us up and running."

A record 400,000 sq ft of offices was let in Leeds last year and rents in the new Westgate Point building have reached £12.50 a sq ft. Back in 1970, says Mr Ian Barroughs of estate agents and surveyors Bernard Thorpe, rents were under £1. By 1973 they had doubled, thanks to demand from the city council and other public groups. A bank led boom in the late 1970s made Leeds the first provincial city to reach £5 a sq ft.

This compared well with building costs of around £28 a sq ft and brought in the developers. But the Government's tight money policy killed the

LEEDS HOUSE PRICES ('000)

Property Type	Range
Back-to-back	£18-35
2/3 bedroom small through terraces	£25-45
Larger through terraces	£40-50
3 bedroom semi	£40-50
3 bedroom detached	£70-100
4 bedroom semi	£70-100
4 bedroom detached	£150+

Source: Morgan and Watson

substantial inquiries "but we have not got the buildings. Quite a few are coming out of the ground but what everybody will find is that they have been pre-let."

"The next 12 or 15 months will see increased rental growth because there will be a supply shortage. Even solicitors and accountants are seeking up to 100,000 square feet. New companies are coming, and we have major government departments from London looking at Leeds."

An important feature of all this is that the Leeds business district between The Headrow and Wellington Street is a brick built conservation area. Central Leeds's current show-

LEEDS OFFICE RENTS (\$Q FT)

1970	\$0.57
1971	£1.75
1972	£5
1973	£8.50
1974	£7.50
1975	£10.50
1976	£12.50

Source: Bernard Thorpe surveyors

piece, Westgate Point, which rises like a Burmese pagoda from an island site at the end of The Headrow, is built of the required bricks and slates.

City Square may be dominated by Sixties buildings, but the city planners are turning back the tide. Evans of Leeds has stripped off the cladding of Minerva House and is giving it a new overhaul.

Meanwhile, Town Centre Securities has received permission to refurbish the brick built Nos 7 and 8 Park Square, in the heart of the conservation area, and add new offices behind. Mr Edward Ziff, a director of Town Centre Securities remarks: "It has been a

very long and arduous negotiation. I think the planners are pleased with it, and we are very pleased with it. When you alter magnificent, listed buildings or want to add to them, it becomes a very political discussion."

Leeds people are proud of the accessibility of their city centre, even if the road scheme frighten visitors. But congestion is growing and parking is restricted: new offices can offer only one space per 1,750 square feet.

So, against initial opposition from the council, there are now business parks outside the centre. Just to its north is Northside, to its south Central Park where Unisys is a tenant and the latest rents are £10.

Further out on the southern ring road, Actington Business Centre, a vast, glass building that belonged to the Systeme computer company, is housing Natwest's Switchcard operation and the AA's information service HQ. It has also attracted Barclays and two companies involved in satellite television. Rents are reported to be up to £11 a sq ft.

On Leeds's eastern approach a consortium called Acorn is establishing a business park at Killingbeck. On the northern ring road is Evans of Leeds' Westwood development where the first 80,000 sq ft will be available in September.

Mr David Hillwell, of Evans of Leeds, comments: "Leeds's biggest problem is lack of parking with office access. Among companies that do not need to be in the centre, there is a strong demand for quality buildings in a pleasant environment with ample car parking. Lawnswood has easy access, and executives tend to live north of Leeds. We will be on a par with city centre rents of £12 a sq ft plus."

Mr Richard Lewis at Elliotts is not so sure. "If you push up rents too far, people are going to start looking at other areas." Westwood, Green and Smith points out that the business parks are small. "What the region needs to ensure continued economic development is a major business park on the lines of those now familiar in the south."

David Spark

British Gas North Eastern

LEEDS DEVELOPMENT CORPORATION

DEVELOPMENT COMPETITION

CENTRE GATE LEEDS

BRITISH GAS and LEEDS DEVELOPMENT CORPORATION, in partnership, invite proposals for CENTRE GATE

- 9 ACRE SITE
- SUITABLE FOR PRESTIGE COMMERCIAL DEVELOPMENT
- 300 YARDS FROM M1 AND M621
- HALF-A-MILE FROM LEEDS CITY CENTRE

REMINDER—initial expressions of interest by 5 May 1989

STILES HAROLD WILLIAMS

43 Old Queen Street London SW1H 9JA Tel: 01-222 4477

OFFICE LETTINGS PER YEAR (SQ FT)

1980	185,000
1981	200,000
1982	70,000
1983	210,000
1984	225,000
1985	250,000
1986	300,000
1987	350,000
1988	400,000

Source: Bernard Thorpe surveyors

boom and, when the new buildings were ready, there were few takers. In 1982, only 70,000 sq ft was let, compared with a normal 300,000 sq ft. A million square feet was empty. In 1985, however, 250,000 sq ft was let, followed by 300,000 sq ft in 1986. Leeds now has 40,000 people working in banks, building societies, insurance, accountancy and other financial services.

Leeds also has more big law firms than just about anywhere else, and three of these firms are moving into new offices. In 20 major office buildings just completed or under construction in Central Leeds, only 300,000 sq ft remains to let. So Mr Barroughs expects rents to continue to rise, particularly as tenants are not too worried about the price provided they get a quality building.

In 1986, he recalls, the £6.50 which Royal Insurance, William Hill and the accounts Grant Thornton agreed to pay for the St Johns Centre created enthusiasm. Last summer Spicer and Oppenheim agreed to £10.50. Bernard Thorpe are asking £15 for what remains of Westgate Point. "We expect to see £14 a square foot achieved in the summer," says Mr Barroughs.

He points out that success breeds on itself. In Leeds, rents compare well with building costs and attract investors. In other West Yorkshire centres, they do not. "We expect to see £11 at Elliotts, Son and Boyton, Mr Richard Lewis reports sub-

NORQUEST INDUSTRIAL PARK

A new development of 200,000 square feet of industrial/warehouse/ B1 units on 18 acres on the outskirts of Leeds.

Location: Junction 27 of M62 with excellent access to national motorway network.

200,000 square feet FOR SALE OR LEASE (Units of 5,000 - 120,000 sq. ft.)

Surrey Real Estate Phone: 01-549 3433

Jackson Stops & Staff TELEPHONE YORK (0904) 645195

LEEDS CAPITAL FOR BUSINESS IN THE NORTH

FIND OUT WHY

CONTACT: BRIAN HOLDSWORTH HEADROW BUILDINGS - 44 THE HEADROW - LEEDS LS1 8BA TELEPHONE: (0332) 442308

LEEDS CITY COUNCIL INDUSTRY & ESTATES

CHARLES WALLS

WE'RE BUSY DEVELOPING A BIG REPUTATION

IN MARKETING IN PROMOTION IN ADVERTISING

OUR INTEGRATED APPROACH TO PROPERTY MARKETING PROVIDES A COMPLETE SOLUTION FROM RESEARCH INTO TRENDS TO ANALYSIS OF RESULTS FOR SUCH PRESTIGIOUS EVENTS AS THE PROPERTY BUSINESS SHOW.

OUR PRESS AND PROMOTIONAL CAMPAIGNS ARE COMPREHENSIVE AND INCLUDE CONFERENCES, EXHIBITIONS, PRESS RELATIONS AND MARKET BRIEFINGS. OUR APPOINTMENT BY THE CAMBRIDGE BUSINESS PARK REFLECTS OUR EXPERTISE IN THIS AREA.

OUR STRENGTH IN ABOVE-THE-LINE CORPORATE ADVERTISING AND MEDIA BUYING HAS ENABLED US TO HANDLE CAMPAIGNS FOR MANY SURVEYORS AND DEVELOPERS AND CORPORATE ADVERTISING FOR HEALEY AND BAKER.

OUR CREATIVE TEAMS CAN PRODUCE A TOTAL CORPORATE IDENTITY AND FULL SUPPORTING LITERATURE FOR SINGLE DEVELOPMENTS OR THE LARGEST SCHEMES - AS DEMONSTRATED BY OUR WORK FOR THE INTERNATIONAL COUNCIL OF SHOPPING CENTERS IN VIENNA.

CONTACT: CHARLES GROVER, ELMDOWN HOUSE, TOWN GATE, CALVERLEY, PUDSEY, WEST YORKSHIRE LS28 5SS. TELEPHONE: (0332) 552177.

CONTACT: MARGARET COOPER, DAVIS HOUSE, 29 HATFIELD GARDENS, LONDON EC4N 8DA. TELEPHONE: 01-831 3342.

CHARLES WALLS IS A FULL-SERVICE COMMUNICATIONS GROUP WORKING WITH CONSUMER AND BUSINESS-TO-BUSINESS CLIENTS INCLUDING ANGLIAN WINDOW CENTRES - SREDAZ - REST ASSURED - JOSHUA TITLEY - SOLAGLAS - DUNLOP/SLAZENGER - SEVEN SEAS - LEEDS PERMANENT B.S. - WARD - MASONITE - MINTEX DON - IN ADDITION TO OUR MANY CLIENTS IN PROPERTY.

LEEDS PROPERTY 3

Shortage of land is forcing builders to turn their attention to unfashionable areas

Lively activity down by the river

DOWN by the river where Louis le Prince made the first cine film and the temperance men founded the Band of Hope, the uneven stone sets of old Leeds streets have found a new purpose. They give extra cachet to the Victoria Quay flats with which Barratts started a new trend.

In the soot stained, semi-delinquent area through the gloomy railway bridges, land now fetches £1m an acre. Down river, developers are bidding for the chance to put their money and imagination to work on Clarence Dock.

"We had built some city centre homes and were getting £20,000 to £30,000 apiece, says Mr Peter Fleming of Victor Homes, a local builder. "All of a sudden, Victoria Quay seemed to catch the imagination of the buying public. That has assisted everything else and now we are talking about £50,000 to £85,000."

Barratts were quick to spot the possibilities in a plan of action for the river produced by the city council and the British Waterways Board. Three years ago the first of their one and two bedroom flats, some in an existing building, some newly built in harmony, were sold for £19,000 to £28,000. Since then, they have rocketed, says Mr Ian Lumbard of estate agents Mawson and Walton, though he thinks the £80,000 that some people ask, hopeful of yuppie buyers, may now be proving ambitious. "Where are the yuppies? There just aren't any in Leeds."

Last year was the big year for price increases. Mr Peter Toothill at Mawson's Horsforth office says: "We were putting prices on property and people were so desperate they were offering £5,000 or £10,000 more. There was not much new building going on."

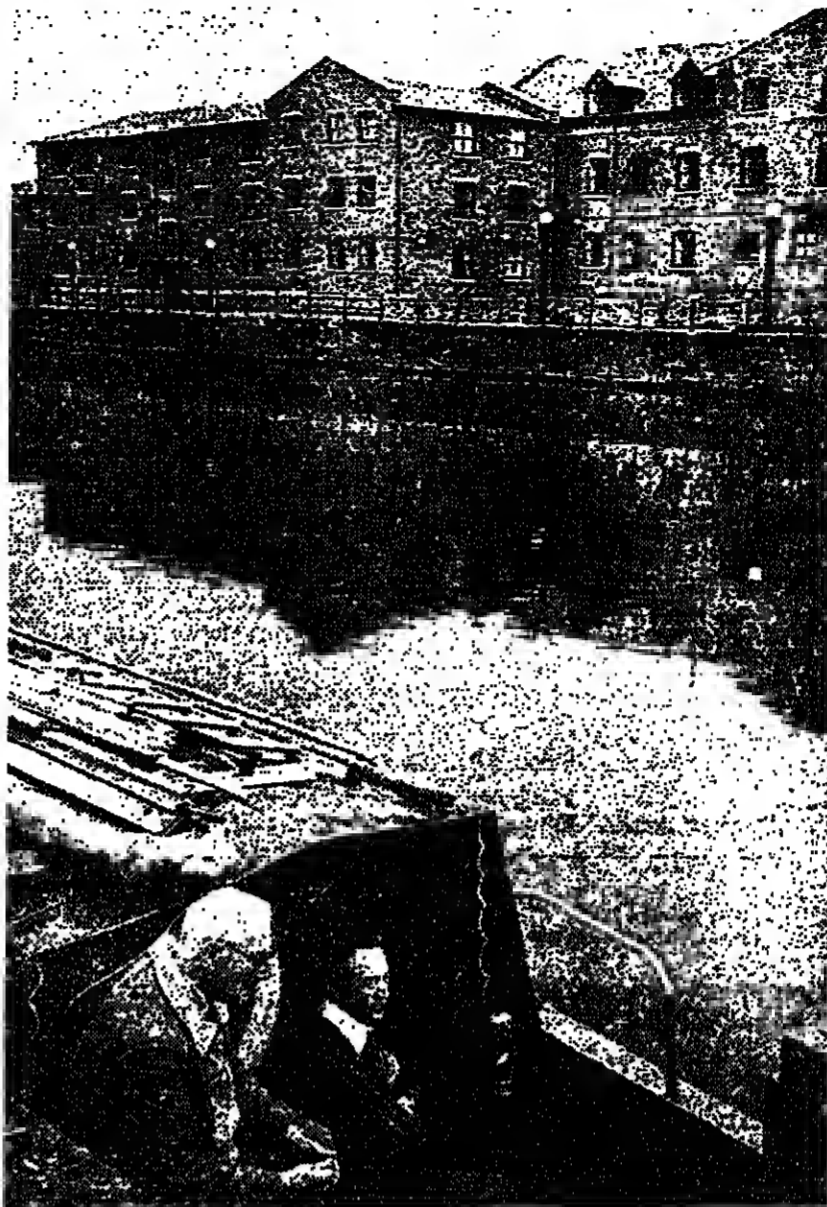
Out at Gulesey, a back-to-back in reasonable condition could fetch £45,000 and a modern four bedroom house £170,000.

On Harrogate Road, Leeds, Arncliffe Holdings are building 32 flats and eight penthouses on the site of three earlier houses, one of which belonged to Arncliffe's chairman, Mr Ian Fisch. "They have gone extremely well," says Mr Fisch. "The price is now over £300,000 for a penthouse and £150,000 for a two bedroom flat."

Mr Lumbard of Mawsons estimates that prices paid in Leeds rose last year by 65 per cent to 65 per cent. "There are odd cases where they have gone up 100 per cent but they were very cheap to start off with."

Current Leeds prices, he says, range from £18,000 for a back-to-back in a down market area to over £150,000 for some four bedroom detached properties. Even in some down market areas, large, terraced houses fetch £40,000 to £50,000 because they are partly let as bed-sitters. A prime, stone, terraced house with garden can be £100,000. "We just sold one at Horsforth."

Around Leeds, stone fetches more money. "If you put money into stone,



Victoria Quay, a popular riverside development

you can get the premium back in the sale price," says Mr Fleming of Victor Homes, formerly a Saudi-owned company bought out last year by its managers.

This year, higher mortgage rates have slowed the market. Mr Lumbard believes the growth of office jobs is one reason why Leeds has been less hard hit than the south. Mr John Farlow of Tay Homes which is building houses for around £100,000 at Bramham, near Wetherby, says they are selling very

well. "Leeds seems to have a unique buoyancy at the moment," says Mr Fleming.

Leeds is at the south-west corner of a golden triangle that stretches north to Harrogate and east to York. "Within that area, a housebuilder can hardly go wrong. That is where a great number of upwardly mobile people who come into Leeds want to live."

Wetherby, within this triangle, and also now within the Leeds boundary, has grown; but the villages are keenly

protected. A city planner remarks: "We get terrible disputes even over house extensions. At Boston Spa, people are very hot. The whole village is a conservation area."

Mr Fleming points out: "The green belt has been extended in the past 10 years and that has tightened everything around cities and towns. We have our Nimby's: nobody wants anything else built near them."

"The land-supply problem is as acute as in the south. You used to be talking about £100,000 an acre but one owner has just sold some at £600,000."

So Victor Homes has turned its attention to unfashionable areas, to sites with special problems and to the inner city where developers are welcomed by the planners.

"We have been very surprised by the demand. We are building 53 houses at Drighlington. That is unfashionable but we are approaching £100,000 for a four bedroom house."

"It was not possible to connect the site to the surface water drainage. Our engineer came up with the idea of drilling a borehole. At 110 metres we found strata to take the surface water until there is a new outlet."

Tay, too, is building in the inner city, for as little as £30,000 "where you can get a city grant," says Mr Parlow. Across the river from Victoria Quay, it is building 44 flats which will range from £70,000 to £90,000. Mr Fisch says that Arncliffe is expanding its residential development and is particularly interested in refurbishment. At Adel Mill, we are going to convert farm buildings into 14 dwellings."

Leeds planners do not agree there is a shortage of building land. A report this month shows enough sites identified for the next five years at the private builders' average of 1,530 homes a year, with more publicly owned sites sure to be released. The problem may be, in part, that 8,000 house sites in the rural growing country south of Leeds encountered both local objections and drainage problems.

An important question is whether a city growing commercially requires a growing rate of housebuilding. Mountheigh, which established itself as a developer with a homes deal for the American air force, is back on the housing scene with a plan for a new settlement near Wetherby but on the other side of the A1 road.

"There is tremendous pressure for housing in the Leeds area, says Mr Geoff Goodwill.

Mr Ken Morton of Landmark Development Consultants sums up: "Leeds is a good place to live and work. The residential areas are superb and not very far away. You can live out in the country and be at the office in 30 minutes."

David Spark

SHOPS

Buoyant sector moving upmarket

THE SHOPPING precinct between Briggate and Vicar Lane where Mr Jimmy Savile began his career, as Barker for the Locarno ballroom, is being returned to its turn of the century glory. "All this horrible Sixties' stuff will vanish," said a spokesman for the owners, Prudential. "We are bringing the mahogany back."

The County Arcade, designed by the architect of the London Palladium, Mr Frank Matcham, is now being transformed into the Victoria Quarter at a cost of around £5m, explained Mr Brian Stroud, the project manager. "We are trying the impossible: to refurbish with most of the tenants still trading," he added.

The pomegranates, the figures of Justice and other virtues are resplendent once again on Mr Matcham's theatrical ceiling and friezes. Today's strident shop signs are giving place to the narrow, understated nameboards of yesterday. Only six of Mr Matcham's mahogany shop fronts remained; more are being made by GF Joinery of Brighouse.

Italian tiles are being laid to a design by Ms Joanna Vevers. Mr Jim Horrobin is restoring the gates. One of the largest stained glass windows in Europe, designed by Mr Brian Clarke, will adorn the glass roof being built over Queen Victoria Street, between the County and Cross Arcades.

The roof will also protect the street's terracotta work, a popular embellishment a century ago. It does not weather well, Mr Stroud points out, but it is now being restored.

This is not the only scheme in Briggate. Arncliffe Holdings has just bought the Greenwood shop there for refurbishment.

All this goes to show that Leeds is re-emerging and moving up market as a shopping centre. In the Headrow, on a site backing on to the city's prime, pedestrianised shopping pitch, Tarmac and Clayform are building the Schofields Centre, comprising about 50 new shops and a food court totalling about 42,000 sq ft on the site of Schofields' depart-

ment store. Beyond Vicar Lane, the Dutch developers MAB await the Secretary of State's consent to 450,000 sq ft of shopping plus a bus station on the site of Kirkgate Market.

Mr John Garner of the Norwich Union, which has built 30 shopping centres up and down the country and proposes to put £19m into Kirkgate, says: "We identified the commercial property boom taking place in

Specialist shops are making the running, as opposed to fashion and footwear. At the moment there is a blip throughout the country but higher mortgage payments have not affected disposable incomes as much in the north as in the south.

Leeds and got in before the rest.

Near the motorways on the south side of the city, the Norwich Union is putting £20m into the Crown Point retail park, which opens this summer with Pads, Texas Homecare, Allied Carpets and Boots Children's World among the tenants.

Further south still, the Secretary of State has declared a proposal by Evans of Leeds, the 650,000 sq ft White Rose Centre near Morley, the winner in a contest for an out of town shopping scheme comprising shops, a hotel and a cinema.

Mr Peter Cooke of Bernard Thorpe says that specialist shops are making the running, as opposed to fashion and footwear.

Mr Ian Rowbotham of Weatheralls says that northern people tend to spend more of their income on shopping anyway.

Is there a danger of too many shops, with the Triple Five scheme in South Leeds proposing 800? Mr Ziff comments: "Including Kirkgate, there are probably enough to take Leeds through the 1990s. Leeds has a very busy city centre but to talk about doubling or trebling the number of shops would crucify it."

David Spark

£18 million not out and still batting!



"Our commitment to commercial property in Yorkshire is total. We aim to increase the run rate by a further £50 million in the next two years. Developers of Westgate Point, Leeds and long-term investors in the Yorkshire property market".



Helical Bar plc

11 Bruton Place, London W1X 7AB. Telephone: 01-629 0113. Fax: 01-408 1666.

LEEDS PROPERTY 4

HELICAL BAR

Project that has set people talking

WESTGATE POINT - "the building everybody's talking about", according to a rival developer - is part of an ongoing commitment to Leeds by Helical Bar, the London-based property company.

The deal was brought to Helical by Mr Clive Scott, then a consultant but now a director of the company. It bought the site in June 1987, topped out the 46,000 sq ft, seven-storey office block in July 1988 and completed it on schedule in January of this year.

One reason why people are talking about the building is that 20 per cent of the office space in two small floors, remains to be let in an ill-supplied market. The first 80 per cent went at £12.50 a sq ft, and Helical is looking for the magical figure of £15 a foot for the remaining square footage.

The new occupiers will include a merchant bank, two major insurance companies and a group of leading surveyors. The first occupants were expected to move in this month. Mr Scott and his co-directors had toyed with letting the building to a single occupant, but the prospective client ultimately decided that it needed more space than Westgate Point had to offer.

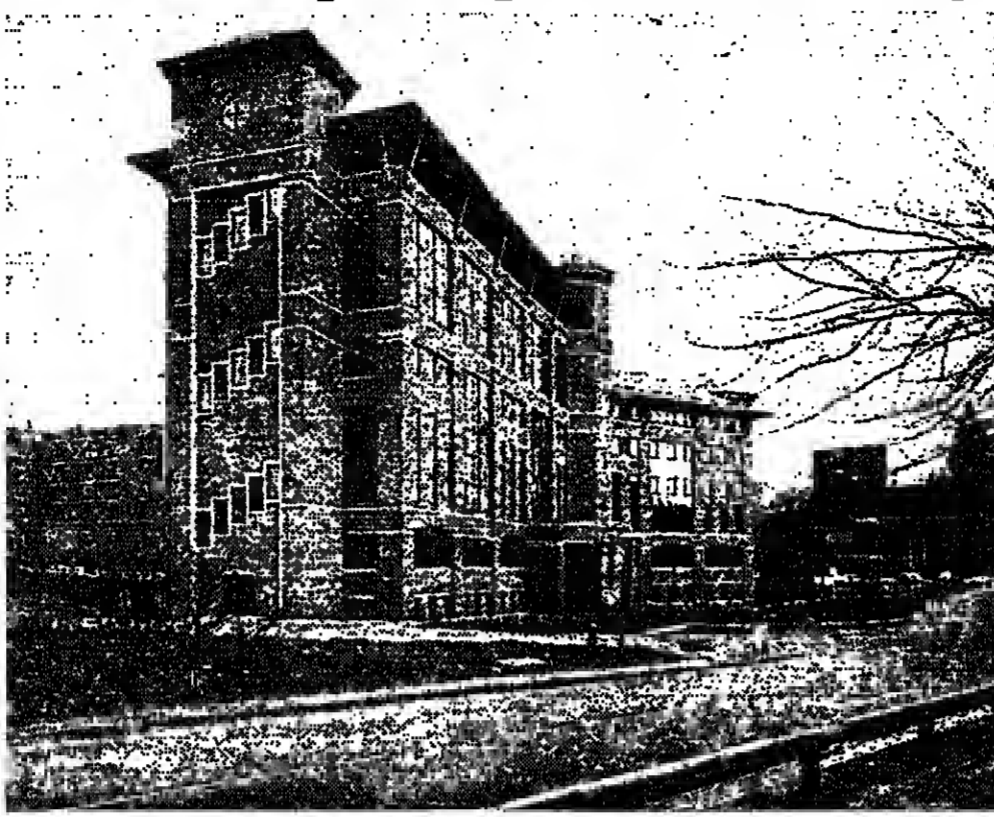
Another feature is its construction, in red brick and stone rather than the glass box which earlier developers had in mind for the site. Leeds loves brick, apparently, and the planners put a stop to more exotic schemes. The building also has raised resistant glazing, and solar access computer floors to meet the requirements of major office users.

A further talking point has been its location, on an island site at the Westgate end of the Headrow, which used to be occupied by a textile factory. Prime office use has had a psychological, and physical hurdle, to clear in the inner ring road to the west of prime pitch, and Westgate Point may have helped it clear that barrier.

Mr Scott says that his function as a director of Helical Bar is to allocate investment to areas of strategic importance. Yorkshire, and Leeds, particularly, has been one of these areas.

"We have made a number of acquisitions in Leeds," he says. "We've spent about £1m a month over the last 18 months on development, and investment in the city, and we have allocated a lot more money to follow that over the next couple of years."

William Cochrane



Westgate Point, one of the most talked about constructions in recent years. Twenty per cent of the red brick and stone building's office space has yet to be let

William Cochrane

EVANS OF LEEDS

Major local player

EVANS OF LEEDS, a local property developer which goes back 60 years, hit the headlines in January when Mr Nicholas Ridley, Secretary of State for the Environment, gave the go-ahead for its White Rose Centre on a 91 acre site in the south of the city.

The White Rose will include a 650,000 sq ft regional shopping centre, a 300 bedroom hotel, a 10 screen multiplex cinema, garden centre, food court, creche, bus terminal and parking for 1,900 cars.

Evans gained permission at the expense of two other proposals to develop out-of-town shopping complexes: from Sberaton and the University of Leeds, proposing 500,000 sq ft on 55 acres of playing fields on the residentially-favoured north west quadrant; and from Mountleigh Northern Developments at Pudsey, where it had hoped to accommodate both Asia and Marks & Spencer.

Mr David Helliwell, group estates surveyor for Evans, notes that his was the site where development would enhance the area. "Currently, there is a sewage works under construction," he says. "Another part of it is a rubbish tip." The land is owned by Yorkshire Water, but Evans has an option to acquire it. Sited on a dual-carriageway



David Helliwell

road between the M62, its M621 spur and the M1 - "all within half a mile," says Mr Helliwell - the White Rose will be able to pick up trade from the whole of West Yorkshire, South Yorkshire and South Leeds, with 3m people within 25 minutes driving time.

During the next two to three years, Evans is planning 600,000 sq ft of office space, and another 500,000 sq ft of industrial space in a big development and refurbishment programme. It has strong ideas about location, and quality.

"If you're going to build offices outside Leeds," says Mr Helliwell, "you should build them to the north; that's where

people like to live." At Lawnswood, on a 10 acre site fronting the North Leeds Ring Road, Evans has started the first phase of an out-of-town development.

Lawnswood, eventually, should provide up to 190,000 sq ft of high-quality office accommodation. "It has a better specification than anything in Leeds at the moment," Mr Helliwell claims. "We are expecting rents of £12.50 a foot plus, and you'd pay the same in the city centre for any real amount of space."

In the centre, Evans has started work on the refurbishment of Minerva House in East Parade. The building is being stripped down to its frame, completely re-clad, and upgraded to provide 55,000 sq ft on nine floors with a ground floor banking hall for Royal Bank of Scotland, the existing tenant.

On the industrial front, the company has completed the first phase of its Apex Business Park development, a mid-tech business accommodation with a high percentage of office space close to the M1/M621 junction in South Leeds. The units are now let or under offer at rents in excess of £4.50 a square foot.

William Cochrane

DEVELOPERS

Growth prospects still strong

IN THE 1960s when Mr Arnold Ziff of the Stylo shoe shop family set up Town Centre Securities, the life of a developer in Leeds was reasonably simple. With money borrowed at 5 per cent and a return from rents of 10 per cent, profits were made.

That changed with the collapse of the property boom in the 1970s. Initial rents no longer covered costs and investors needed an insurance company or a pension fund to take the building and stand the loss until the rent review.

Alert former surveyors are now constantly on the look-out for sites which are likely to become available and for prospective tenants. They then sell the deal to a property company or an institution, and act as project manager.

One of Leeds's best known is Mr Ken Morton of Landmark Development Consultants who launched and managed the building of Westgate Point. Before Landmark, he worked as a surveyor, transferred to a London property company,

returned to Leeds and "decided what I was really in was development." He has been sole proprietor of Landmark since 1983.

"I keep very closely in touch and become aware of opportunities. I might approach people to see if they might be prepared to sell. If I see something big, I organise to buy the property and find a major commercial partner."

"We are building the final office of the Westgate Centre, 14 storeys for the Inland Reve-

Demand is now so high that speculative development is attractive

nue. We have financed that ourselves. We are also project managers for Absacs, 45,000 sq ft opposite the town hall and we are developing phase 2 of Lishon Court on Wellington Street as a 60/50 partner with St James Securities. We sold phase 1 to Sun Life of Canada."

The company is also planning the 130,000 sq ft Fountain Plaza with Mount Ebor, a local property company.

Although the Post Office pension fund, Scottish Life, Norwich Union and the Prudential all have a stake in Leeds, there is, one suspects, a reluctance among the city's Yorkshiresmen to sell their schemes to institutions from out of town.

"Town Centre Securities and Evans of Leeds normally hold on to their buildings. St James Securities goes further: besides investing and developing it also undertakes the actual construction of the building. The boom has attracted other Yorkshire building companies into Leeds office development, such as Arncliffe Holdings and J and J Fee. Demand is now so high that speculative development is attractive, says Mr Timothy Fee.

Developers are wary of the Canadian Triple Five scheme. Leeds is doing well without it, says Mr Morton. A lot of people

like Leeds the way it is.

Mr Roland Stross, of St James, says that The Embankment, the first Leeds property to offer in excess of 100,000 sq ft, is not a scheme which might happen in five years' time. It is happening now.

What attracts the institutions to Leeds? Mr Ruaridh Budge, general manager, investment, for Scottish Life, says Leeds is a good example of a provincial city where rents have picked up after showing little growth for some time.

"You can identify good value. You can buy good properties on yields of 7 per cent, and the prospects for growth are still good. In the City of London it is more difficult because rents have already shown substantial rises.

Scottish Life has just completed a building in The Headrow. "We are not keen on doing much speculative development. We already had tenants lined up."

David Spark

BOVIS

Partner in urban regeneration

DEVELOPERS, noted for flying in on a wing and a prayer, are often quite systematic these days in the way they address new situations. Bovis, and other parts of the P & O Group, were addressing urban renewal and regeneration early in 1987 according to Mr Bernard Hodgson, a director of Bovis Construction.

In the summer of 1987, Mr Stephen Bennett was seconded to the group from the civil service, in tacit recognition of the bridges that sometimes need to be created between government, local authorities and industry.

Bovis opened a dialogue with Leeds City Council in November 1987; incorporated a specialist subsidiary, Bovis Urban Renewal, in March 1988; and, at the same time, launched into partnership with the council and Leeds City Development, itself a company formed between the council and commercial interests.

This is not just philanthropy. "We were conscious two years

ago of the business to be done in urban development. Urban redevelopment is a coming market of considerable importance as far as the British construction industry is concerned," says Mr Hodgson. "It was also important that we decided to engage in that business by way of the partnership route."

Development partnerships are traditionally set up for one major project. This one, says Mr Bennett, is a little different. "The Leeds approach is comprehensive and co-ordinated," he says, "taking in a whole mix: job creation, improved and more housing, public and private development and environmental enhancement in its own right."

There will be a rolling programme of projects. "Each scheme undertaken by the partnership will be structured in a way which reflects its dynamics," says Mr Bennett. The partners will share in varying degree - there will not, for example, be a three-

way split of schemes with minimal economic rewards. "Outputs," he says, "will reflect inputs."

There are 15 schemes which have been, or are being studied. On four of those, viable developments have been proved and work will start later this year. They embrace retail, office and industrial projects, and include a new Channel Tunnel Freight Terminal at Stourton.

BUR is in this one with the council, Mountleigh Northern Development and Railfreight Distribution. The scheme will embrace 100 acres, of which 80 acres will be devoted to a business park, distribution and industrial space in addition to the terminal itself. It is hoped that this project will create 1,500 new jobs for the area - extra jobs, says Mr Hodgson, not jobs shifted from other areas as is so often the case.

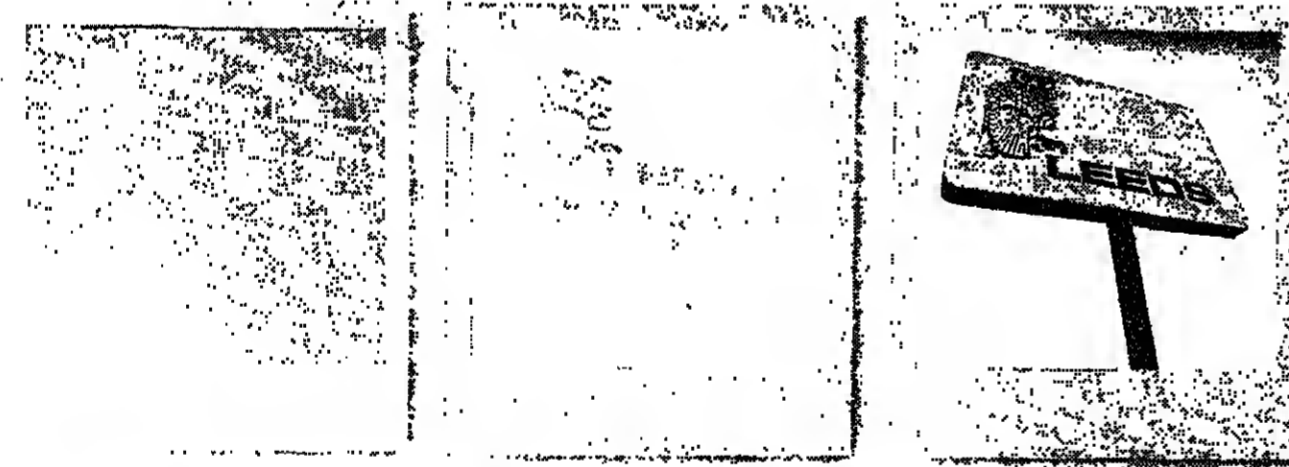
The partnership has an initial life of five years and is renewable. The BUR criteria for projects, says Mr Hodgson,

include those which are viable in commercial terms; and those which provide amenities and social benefits which, in themselves, are not commercially viable but which can be 'packaged' with money spinning schemes to make the combination financially attractive.

"We are trying to dissuade local authorities from disposing of their assets in traditional ways," he adds. "Usually, they sell to the highest bidder, and the fallacy in that is that the highest bidder needs to make a profit on top of his high bid."

By taking that route, he contends, the local authority misses its opportunity to maximise its proper return - getting real value, or the best consideration in more than monetary terms for turning over its land resources. "The local authority should be part of the development process, and share the benefits," Mr Hodgson concludes.

William Cochrane



Britain's fastest developing city is developing faster with us.

Leeds Development Corporation has only four years to regenerate over 1,300 acres in the heart of Leeds.

Superb investment and development opportunities exist in the Kirkstall

Valley and from the city centre and historic riverside area to the M1 and M621 motorways.

For further information, please contact Stuart M Kenny, Director of

Development and Marketing, Leeds Development Corporation, South Point, South Accommodation Rd.

Leeds LS10 1PP. Tel: (0532) 446273.



LEEDS DEVELOPMENT CORPORATION

CITYGATE

The largest office development in Leeds

650,000 SQ. FT. OF HIGH QUALITY OFFICES IN THE FINANCIAL CENTRE OF THE NORTH

ABILITY TO SATISFY MAJOR SPACE REQUIREMENTS

PROMINENT "WEST END" LOCATION CLOSE TO CITY CENTRE

DIRECT ACCESS FROM INNER RING ROAD WITH IMMEDIATE LINK TO MOTORWAYS

PARKING FOR 1000 CARS

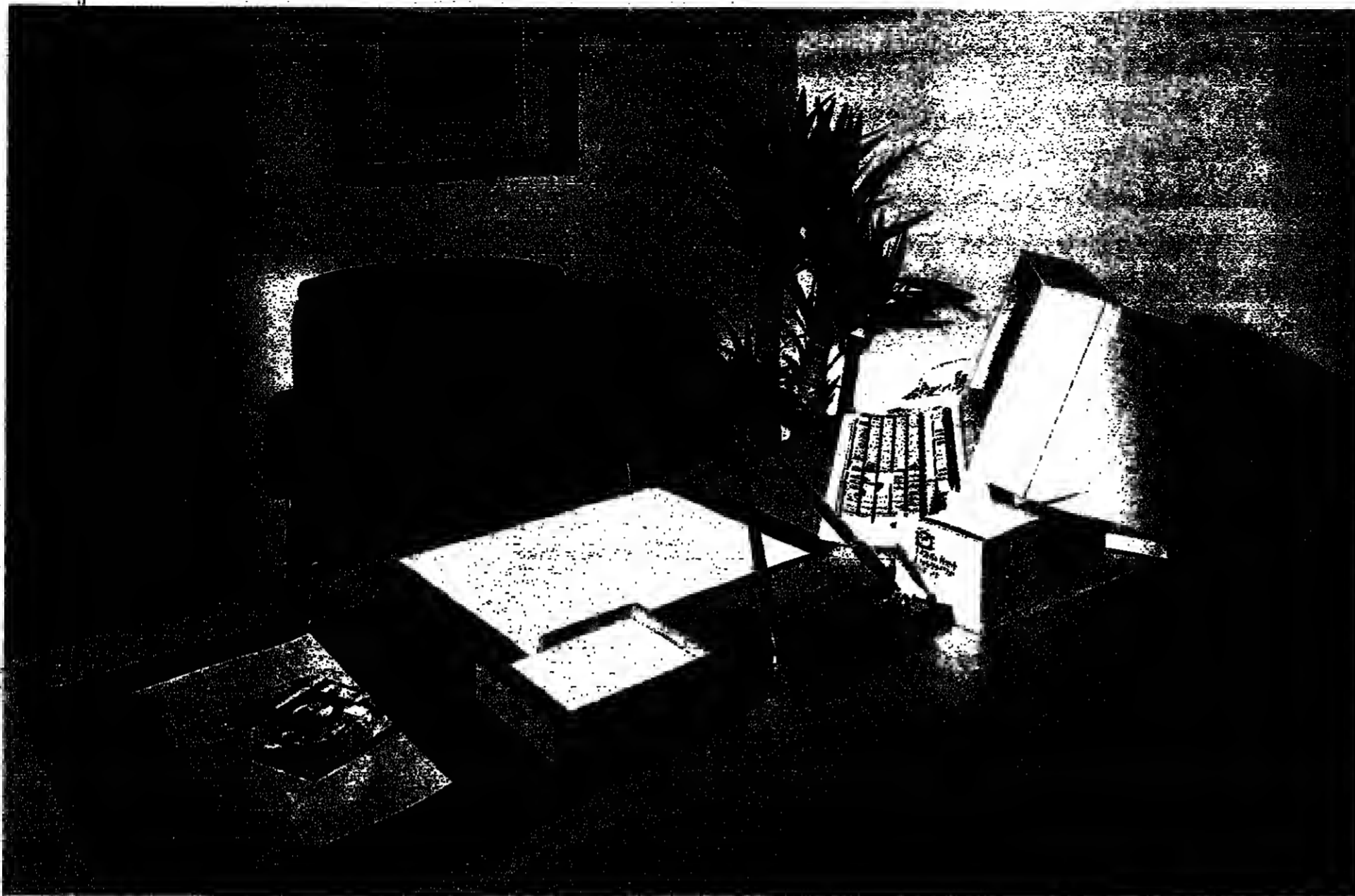
RIVERSIDE SHOPPING, LEISURE AND RESTAURANT FACILITIES

Mountleigh Northern Development

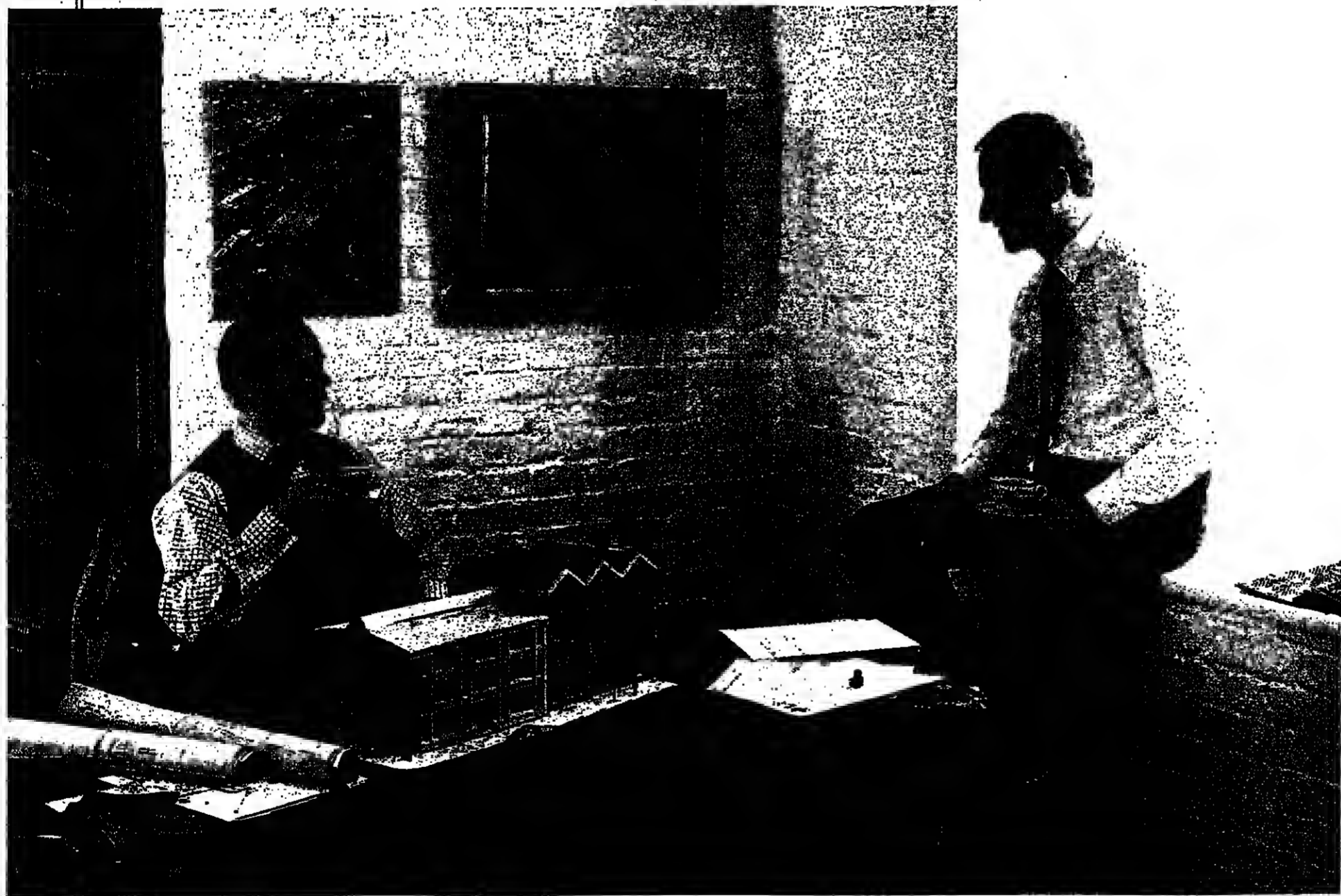
Daere, Son & Hartley
Royal Exchange House
Boar Lane, Leeds 1
Tel: (0532) 411121

**CITYGATE
LEEDS**

Bernard Thorpe
29 Park Square West 1
Leeds
Tel: (0532) 459101



“My bank manager
is never there
when I want him.”



“He’s here.”

THE THOROUGHbred BANK.

Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS.

When you are running a business, you shouldn't have to spend time running to your bank.

At Lloyds Bank Commercial Service, we're only too pleased to come to your office.

Apart from saving you time, it allows us to learn about your business first-hand.

And the more we know about you, the more we can do to help.

That's what Lloyds Bank Commercial Service is all about, helping medium-sized businesses to grow and prosper.

And to that end, we have established a network of LBCS offices throughout the country.

Working on a local basis means that we can keep in regular touch with you and the markets in which you operate.

And because we concentrate exclusively on business customers we can devote all our efforts to helping you meet the many and varied challenges you face.

It may be that we can work together to strengthen your position in the market, say through a takeover.

Or perhaps devise a way to improve your cashflow forecasting.

But no matter how straightforward or complex the task, we'll act swiftly to make sure that no opportunity is missed.

With advice based on years of experience working with businesses similar to your own.

And we won't just be taking a short term view.

Before we make a recommendation we'll consider how it might affect your success in years to come.

Helping to build a thriving business can't be done with makeshift solutions.

Or anything less than complete involvement.

Which, of course, you'll experience from our very first visit.

For more information call 0800 800 424 anytime, free of charge.



Lloyds Bank
Commercial
Service

TECHNOLOGY

The flat racing season now under way in the UK is different from any other in the sport's 278-year history. For the first time it will carry on through next winter on a surface other than turf.

This breakthrough has been made possible by the development of artificial surfaces to the point where they have been accepted for racing, as opposed to just training. And although the attitude prevails that racehorses are built to gallop on grass, the market is gathering pace for surfaces that enable them to gallop in all types of weather.

For flat racing, the Jockey Club's decision to encourage the installation of all-weather tracks will extend the season into the colder months. For the traditional winter spectacle of National Hunt (jump) racing, it offers a refuge from a programme that can be pitted with abandonments.

The problem is not just one of disappointed racegoers. It represents a hole in the sport's income derived from betting, via a national levy.

Rodney Brack, financial controller at the Horse Race Betting Levy Board, explains that of the past year's £3.5bn annual betting turnover, £31m came to the board to be distributed to the sport. According to his estimates, the 90 days' racing typically lost through abandonments each year would generate an extra £1.2m for the levy.

The planned winter programme of flat racing and hurdling is designed to make up that loss by adding at least 60 fixtures to the annual total of about 1,000. (Steeple chasing is excluded at this stage because

Towards the winter sport of kings

Jane Fuller explains why the British racing fraternity is moving on to a radical track

of worries about horses jarring themselves as they land over the bigger fences.)

The levy board is offering a 10-year, interest-free loan of £1.5m to each of the two courses installing an all-weather track, which involves laying one of the modern surfaces over a drainage system.

So far, the courses have a choice of two Jockey Club-approved materials: Fibresand, made by Equestrian Surfaces, of Cheltenham, and Equitrack, from a Newmarket-based division of En-tout-cas, part of the Great Nicholson holding and leisure group.

Fibresand, the first to gain approval, is a mixture of sand and rot-proof polypropylene fibres. John Richardson, managing director of Equestrian Surfaces, says that the fibres hold the sand together and greatly reduce kickback. This flinging of sand into the faces of following horses and jockeys has been a source of complaint about some other surfaces. In the US, where racing on dirt — a mixture of loam, sand and clay — is common, jockeys sometimes wear layers of goggles, discarding one bespattered pair at a time every couple of furlongs.

Fibresand has been laid on

about eight miles of gallops and it has also made progress in the market for equestrian arenas. Its resilience in extreme weather conditions depends, however, on careful maintenance. Applications of salt are needed to combat frost and in dry periods it must be irrigated.

For Equitrack, En-tout-cas chose a different way to give the sand cohesiveness and weather resistance. The company has patented a synthetic binder, comprising a polymer with extending oil to make it viscous.

The sand is coated with the binder and the track is put down while it is hot, "like a road being laid," says Ken James, managing director of En-tout-cas. It is rolled to form a firm pad and the upper two to four inches — depending on the type of going required — are "fluffed up" by harrowing.

At the company's laboratories, the mixture was tested by simulating both the pounding of hooves and the climatic extremes which the surface would have to withstand.

The price is high: a race track costs between £1m and £2m, a gallop between £200,000 and £500,000, says James. However, savings on salt and irri-

gation mean that it is cheaper to maintain.

Apart from being laid on several gallops, including ones in Hong Kong and Australia, Equitrack is in use at one US racecourse: Remington Park in Ohio. Between September and December, 700 races were run on the new surface.

David Vance, executive vice president and general manager at Remington Park, says that the track not only stood up well to wet and freezing weather, but also proved safer than some other artificial surfaces. "In 70 days' racing, we only took nine injured horses off the track. I know tracks where 50 or 60 would have been injured."

Both James and Richardson agree that the US is the biggest market for synthetic race tracks and training gallops. This is partly because of the sheer numbers involved: according to James, "there are 9m horses in training and between 130 and 140 race tracks"; and partly because of the way the sport is conducted. The Americans are used to artificial tracks, they race intensively and they train where they race.

Despite the extensive experience of artificial surfaces in



Racing on Equitrack at Remington Park in Ohio

the US, there is a widespread view in the UK that grass cannot be surpassed as a racing surface. John Cameron-Hayes, chief executive of the Racecourse Association, believes that horses will be more prone to both lameness and breathing problems if they race on artificial surfaces. And although the jockeys will welcome the extra riding fees, they are concerned about the stinging effect of kickback.

Jonathan Weatherly, director of development and planning at the Jockey Club, recognises that trainers will initially test the new surfaces with moderate horses. However, since the entries for novice and maiden races often exceed the places available, the argument is that a demand exists for

more races at this level. The first UK racecourse to accept the challenge of all-weather racing is Lingfield Park, in Surrey. It is laying a 1½-mile Equitrack circuit as part of a £4m-plus expansion of the course and its facilities.

Fred Clarke, chairman of Lingfield Park and a director of Leisure Investments, which bought the course last year, says that the new track should help to generate income in a variety of ways, some of them far from conventional. Apart from raising attendances and betting revenue, increasing the number of fixtures will draw in a larger grant from the levy board and a bigger income from Satellite Information Services (SIS) for broadcasting the races to bet-

ting shops. Tackling a long view, Clarke sees all-weather facilities acting as a catalyst for change in the racing scene. His company is developing the racecourse as part of a leisure complex, and it may extend the track's uses to such things as bloodstock sales and trotting races.

And to dispel further the deserted image associated with racecourses between meetings, the facilities may be used year-round for training, as they are in other countries.

The second venue for all-weather racing is Southwell, in Nottinghamshire, where the owners, who sold Lingfield Park for £7m, are extending the facilities to cope with a more intensive programme. Richard Muddle, a director,

welcomes the idea of flat racing in the winter. "There are too many horses and not enough opportunities."

One of the surprising things about the UK racing fraternity, which has so far appeared conservative, is that artificial surfaces have been used for training since the last century.

Robert Fellowes, who manages the Jockey Club estate at Newmarket, says that the earliest artificial surface consisted of holed pieces of bark — a waste product of tanning. Another practice was to dress the turf with peat. Then came sand, wood chips and the more modern sand mixtures.

Newmarket, a centre for training with a racehorse population of 2,400, is an obvious target for the makers of artificial surfaces. One of the recent samples to arrive on Fellowes' desk is a piece of plastic netting, which is part of a product called Techturf from BritAg Industries, an ICI subsidiary.

Techturf comprises natural, albeit specially bred, grass growing on a mixture of sand and pieces of plastic netting. It is installed at two courses in Hong Kong and one in the US. However, it is not claimed to be 100 per cent weatherproof.

Meanwhile, at Lambourn in Berkshire, the first rubber all-weather gallop was laid in January. Made by Weatherall, of Lincolnshire, the surface consists of a two-inch thick, carpet-like layer made of pieces of rubber stuck together, topped off with about two inches of loose rubber granules.

So, no matter what nature intended for the horse, all-weather racing on an increasing variety of materials is becoming an established part of the racing scene.

Not content to be the fastest growing company in the most dynamic sector of the computer industry, Sun Microsystems this week unleashed a salvo of new products in its campaign to become a broad-based computer company, challenging the industry's giants.

With new products ranging from a \$6,000 (\$3,500) desk-top workstation to a \$74,000 network server system, capable of meeting the computer needs of dozens of users, Sun has begun its bid to become "the next Digital Equipment" as Scott McNealy, the company's young president, likes to say.

Striding about the stage of San Francisco's Civic Auditorium, in the style of business guru Tom Peters, McNealy opened Sun's first product introduction "event" with a series of thinly veiled jibes at competitors.

Sun, he said, had no "visions" (a word often used by Apple Computer executives), no "complex strategies" (a dig at IBM, perhaps).

"What we are introducing is a logical and natural evolution of computer technology."

As Sun executives unveiled product after product — six new computer systems plus several add-on hardware products — it quickly became clear that the company's ambitions go far beyond the workstation market upon which it has built its reputation.

The star of Sun's new product line is the Sparcstation 1, claimed by McNealy to be "the most powerful, full-function computer for under \$9,000." Fully configured with colour display, hard and

Sun Sparcs battle against the big battalions

floppy disk drives, the price is, however, more than \$15,000.

The 12.5 million instructions per second (Mips) performance of the Sparcstation outclasses high-end personal computers, but it includes a PC-like graphics interface, with icons and pull-down menus that make it as easy to use as a PC, Sun claims. "We've attempted to bridge the personal computer and workstation worlds with this computer," McNealy explained, comparing the new Sun computer to high-end PCs from Apple and IBM.

Impressive technical features of the Sparcstation include its low power consumption, about the same as a 100 watt light bulb, and its small size, about the same as a pizza box. Both are made possible

by the use of highly integrated semiconductor technology that has reduced the number of chips inside the computer to fewer than 50.

Optional extras include a graphics accelerator board that enables the computer to process three-dimensional graphics at supercomputer speed (200,000 three-dimensional vectors per second), so that it should be well suited to computer-aided design and mapping applications.

Sun also demonstrated a video board that enables the computer to display full-motion video on a portion of its screen, as well as the more mundane, but important, capability of running standard PC applications, albeit at slow speed.

As it attempts to enter the PC market, however, Sun faces serious challenges.

Applications software remains a problem. Although Sun claims that 500 application programs are available to run on its Sparc workstations, the majority of these programs are designed for scientific and technical applications.

Sun acknowledges that gaps remain in its software library. It has yet to persuade leading developers of PC applications, such as Lotus and Ashton-Tate, to adapt their top-selling business programs to Sun computers.

If Sun is to mount a serious challenge to the big PC vendors it may also need to enter the retail computer channel and to spend heavily on consumer marketing.

Other products announced by Sun included two machines aimed at its stronghold in the engineering workstation market. The new Sun 330 and 370 are also based upon the company's Sparc chips and operate at 16 Mips. Prices range from \$30,000 to \$73,900. With these machines, Sun aims to challenge Digital Equipment and Hewlett-Packard workstations, as well as specialised graphics workstations offered by Silicon Graphics.

Sun also launched computers designed to provide network computer resources to small and large groups of office workers, with performance ranging up to the equivalent of super minicomputers.

Other products in the new range include a revamp of the original

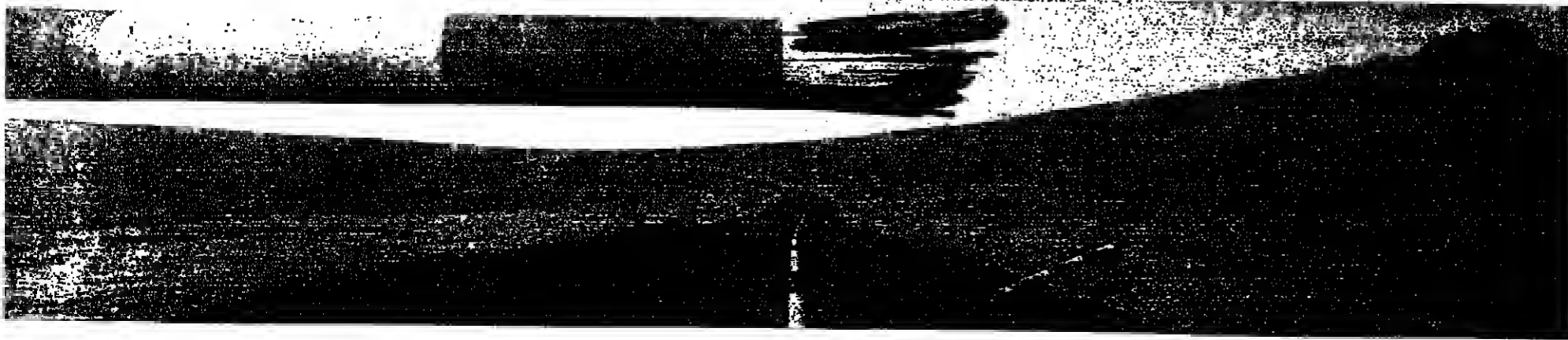
Sun-3 workstation line, based on Motorola's 68000 microprocessor chips. Prices range from \$5,995 for a 3 Mips, desk-top machine to \$54,900 for a fully configured 8 Mips machine.

Sun's first foray beyond the workstation market, where it is the undisputed leader with close to 30 per cent of the \$4.1bn world market last year, was well received by industry analysts. And the company's demonstrations are impressive.

What remains to be seen, however, is whether Sun can master the marketing complexities of the broader computer business, while simultaneously expanding its operations to cope with growth that it is expected to take the company from 1988 revenues of \$1bn to sales approaching \$1.7bn this year.

Louise Kehoe

1992? Our computer systems made the breakthrough years ago.



When the business barriers of Europe are removed in 1992, NCR will be streets ahead of the competition. For more than a century, we've been creating technology for the free and unhindered movement of that most precious of commodities: information. We were the first major computer manufacturer to commit ourselves fully to industry standards. So, even when

open systems architecture ensures you'll keep safe the investments you've made in hardware, software and training. And not find your progress impeded by inflexible systems. This innovative approach has recently taken us past another milestone: the installation of our 65,000th open system. But, although we're proud of our history of success in Europe, our thoughts are ever towards the future.

To find out what we're developing for the single market and beyond, get in touch on 01-724 4050.

After all, why wait for 1992, when it's

they're communicating with other manufacturers' equipment, our computers simply don't recognise limits.

already here?

NCR

Moreover, our pioneering work in

Creating value

FT LAW REPORTS

Directors must pay for wrongful trading

RE MARKETING CONSORTIUM LTD Chancery Division: Mr Justice Knox: March 23 1988.

DIRECTORS WHO press on with their insolvent company's business in the unrealistic but not dishonest hope that it will trade out of its difficulties, may become liable to contribute to its assets in the liquidator's hands if they know, or with reasonable diligence ought to know, that insolvent liquidation is virtually inevitable.

Mr Justice Knox so held when declaring that Mr Eric Peter David and Mr Ronald William Murphy were jointly and severally liable to contribute £75,000 to the assets of Produce Marketing Consortium Ltd (PMCo) following application for the declaration was made by PMCo's liquidator, Mr Nigel John Halls.

The court shall not make a declaration under section 214 of the Insolvency Act 1986 unless it is satisfied that the directors of the company have acted in a manner which is not in accordance with the provisions of that section.

HIS LORDSHIP said that PMCo, a fruit importation agent, was incorporated on June 5 1964. From July 1981 Mr Murphy and Mr David were sole directors.

Murphy, an experienced book-keeper, at roughly monthly intervals, he was not an accountant but he had the time and skill to keep a close eye on the overdraft position and unrepresented charges.

There was a history of PMCo's accounts being prepared well out of time. In common with many other small companies, the directors acquiesced in accountancy delays.

PMCo's position had deteriorated sharply by summer 1986. The bank overdraft, agreed at £75,000, was quite frequently exceeded. Not only had Mr David's personal guarantee been left far behind, but PMCo was living from hand to mouth.

In August 1986 Mr David requested an extension of the £75,000 overdraft facility. His approach to the bank was inaccurate and over-optimistic. It achieved the desired result. The bank extended the facility until January 31 1987 on the same security as before. The limit was consistently exceeded. The bank finally lost patience and from November 19 1986 onwards it started to return cheques unpaid.

In January 1987 draft accounts for 1986/87 and 1987/88 were submitted by the auditor to the directors. They showed a gross profit of £13,464 and the overdraft at £118,171.

postulated would be much less extensive in a small company with simple accounting procedures and equipment than it would be in a large company with sophisticated procedures.

Nevertheless certain minimum standards were to be assumed to be attained. Notably there was an obligation to keep accounting records which disclosed the company's current financial position with reasonable accuracy.

PMCo's accounting records were adequate for the purposes of its business, though the preparation of accounts was woefully late.

The knowledge to be imputed to the directors was based on what they knew or ought to have known. There was no reasonable prospect of avoiding insolvent liquidation, was not limited to the documentary material actually available at the given time.

The directors, though they did not have the accounts in their hands until January 1987, did know that the previous trading year had been a very bad one.

Under previous enactments, which related to fraudulent as opposed to wrongful trading, intent to defraud had to be established. The 1986 Act now has two separate provisions, section 213 dealing with fraudulent trading and section 214 which dealt with what the sids note called "wrongful trading".

Parliament intended to widen the scope of the legislation under which directors who traded when the company was insolvent might be required to contribute to the assets.

The requirement of intent to defraud and fraudulent purpose was not retained as essential, and with it went the need for a dishonest intention to cause moral blame. It had not been suggested that Mr David or Mr Murphy fell into that category.

Also, under subsection (4) the test to be applied by the court had become one under which the director was to be judged by the standards of what could be expected of a person fulfilling his functions and showing reasonable diligence in doing so.

For the liquidator: Mary Arden QC and Gregory Mitchell (Richard Butler).

For the directors: Paul Thomson (Staggles Palmer, Basildon).

Rachel Davies Barrister

NOTICE OF REDEMPTION To the Holders of FINANCE FOR INDUSTRY INTERNATIONAL B.V. (now J3 International B.V.)

10 1/2 per cent. Guaranteed Notes 1990 NOTICE IS HEREBY GIVEN that the Mandatory Redemption due May 15, 1989 has been carried out by a selection by-lot of £17,200,000 nominal Notes on March 24, 1989 for redemption at par as follows:

Table with columns: OUTSTANDING NOTES OF £25,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS: 1-1000. Each row contains a serial number and a corresponding value.

Said Notes may be presented for payment to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, MORGAN HOUSE, 1 ANGEL COURT, LONDON EC2R 7AE or to the other Paying Agents listed below.

Principal and interest on the Notes is payable only in pounds sterling. Payments will be made at the specified office of the Paying Agent in London or at the option of the holder, at any specified office of any Paying Agent by sterling cheque drawn on, or transfer to a sterling account maintained by the payee with a bank in London.

From and after May 15, 1989 interest shall cease to accrue on the Notes herein designated for redemption.

PAYING AGENTS Morgan Guaranty Trust Company of New York, Avenue des Arts 35, Brussels 1040.

Morgan Guaranty Trust Company of New York, Mainzer Landstrasse 46, Frankfurt am Main 6000.

Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

SI INTERNATIONAL B.V. By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Principal Paying Agent

Date: April 14, 1989

Correction Notice Accor Please note that in the advertisement published in the F.T. of 12/4/89, the first name of 1989 was incorrectly stated as 'Accor'.

Business Opportunities & Business For Sale Advertising Appears every Tuesday & Saturday For Further Information please call Gavin Bishop on 01-873 4780

If only all companies in this paper were as transparent

When it comes to making polypropylene film, no-one is more transparent than Bimo. As one of the most innovative manufacturers in Europe, Bimo produces high quality flexible film to meet the exacting standards of converting companies throughout the international market.

"NOW IT'S GRANDPA'S HOUR OF NEED, IT'S THE RAF BENEVOLENT FUND THAT DESERVES A MEDAL" Grandpa was admired for many brave acts, but he won his DPM for his part in the Battle of Britain. Now he's and children. In 1958, over 25,000 people benefitted from grants of £5 million. Inflation and old age increases that figure annually.

THE PROPERTY MARKET

Paul Cheeseright profiles two development companies that specialise in space for small businesses

A new look to the old

Skillion breaks up buildings. The core of its business is to take a large amount of space and split it up into small units. Economic growth has increased the demand for this sort of space but made it difficult to provide.

The need for intensive management and the uncertainty of small covenants had made this sector a Cinderella of the property business. But rising industrial land values, increases in corporate profitability, official encouragement for small business and a growing investment interest in industrial property generally has created a new situation from which companies like Skillion can profit.

When Ric Hawley created Skillion in the 1970s, bank finance was hard to find. Not so much now. This results partly from the fact that Skillion, still a private company, has won its banking spurs, partly from the greater degree of financing sophistication. Thus Skillion can not only raise development finance but also devise packages with institutions which can be offered to buyers of the space it creates.

That is the plus side. The negative aspect is that it becomes increasingly difficult to find sites which can be split into small units. Skillion's speciality is to take buildings

which have scared off or been ignored by other property companies - old factory buildings or office buildings which have found themselves on the shelf.

But industrial property is now in vogue, forcing Skillion out of London to find property for refurbishment - a derelict bottling plant in Liverpool and the former Refuge Assurance headquarters in Manchester, for example. "In London we're obliged to buy big - like 200,000 square feet in the Lea Valley - to get purchase prices down," said Mr Hawley.

If site prices become too high then this flows through into the rental prices. If the rents become too expensive then Skillion cuts itself off from the customers it has spent a decade cultivating - businesses in a relatively early stage of their life. Once Skillion moves into a building it has to hold down the costs of refurbishment. Mr Hawley claims Skillion can do this and its costs have shown little difference from the rate of inflation. General building costs have been increasing at about 15 per cent a year.

Costs can be held down by adopting a uniform approach to refurbishment. Skillion makes no apology for sameness. There are more than 20 Skillion business centres in Britain offering light industrial

and basic office accommodation. In total Skillion provides accommodation to 1,500 businesses.

Broadly, Skillion is involved in two types of development. The first is the provision of space for rent in accommodation it manages and which forms the basis of its investment portfolio. Here it expects a return of between 15 and 18 per cent before taking the developer's profit. The second is space for sale. This is the higher risk end of the market, and here the expected return of 25 per cent on costs.

Expansion is taking Skillion further up the market and into the provision of orthodox office accommodation - the Glassmill at Battersea, a completed venture, and Middlesex House at Vauxhall, on which work is taking place, both in south-west London - and it is venturing from refurbishment projects to those involving new buildings, as in the proposed Technopark at Manchester.

Net assets at the group are now over £18m and in the year to December 1988, pretax profits more than doubled to £5.94m. Skillion has a corporate structure that would enable it to go for a stock market quotation, and that is a choice held in reserve for a day when market sentiment is more in favour of flotation.

Industrial land values

England and Wales 1988



Source: Healey and Baker

Value per acre	Low market activity
£100,000	£400,000
£200,000	£500,000
£300,000	Above £500,000

Simplicity and speed

Metropolitan Real Property is a new comer, a child of the industrial property boom, starting tentatively in 1984 and expanding rapidly in 1987-88.

Roger Palmiano, the founder and chairman, was a chartered surveyor who realised that, with the business climate improving, there was a gathering trend for small businesses to own new premises.

What he has sought to create is a fast turnover, cash-flow business. He is interested in developing then selling, not accumulating, assets. His current programme totals 1.52m square feet in 30 schemes, none of which has a higher completed value than £8m, scattered across the country from Exeter to Ipswich to Manchester. Before this programme he had completed and sold around 300,000 square feet of space.

Mr Palmiano started by providing simple industrial units, but now the office content in his units is increasing. His building specifications are getting higher. But the climate is tougher than in 1988 when, as Mr Palmiano put it, "everything you could lay hands on looked good."

Higher interest rates are hurting. They make Mr Palmiano look much more care-

fully at any sites he wants to buy because, although his finance is split up into small packages, linked to specific projects or groups of projects, it is short term.

At the same time Metropolitan Real is facing what looks like a slowdown in the market. The company has stopped pushing up prices - which it could do with relative impunity a year ago - and properties are taking just a little longer to sell.

Much of the company's land was bought when the market was still rising, so that it is sitting on sites worth more now than a year ago. But, apart from land transactions still going through, Mr Palmiano is likely to stand back from making new purchases for the time being.

The key to his operation is to be quickly in and quickly out of a project, reducing the length of the company's financial exposure on any one site. As soon as a site purchase is agreed, design starts and planning applications are made - in the hope that work can start on site as soon as its purchase is completed.

Finance has been made available by British clearing and merchant banks, underlining the enthusiasm of the banks for property lending, and in selected schemes by the Government.

Until 1987, Metropolitan Real's profits were negligible, but in the nine months to last January, it made pretax profits of £1.98m. Latterly pretax profits have been coming in at the rate of over £230,000 a month.

Hastings, Exeter, Abingdon, Middlesbrough, Northampton, Birmingham and Manchester, land has been sold to Metropolitan Real by the local authority on condition that small business units are constructed.

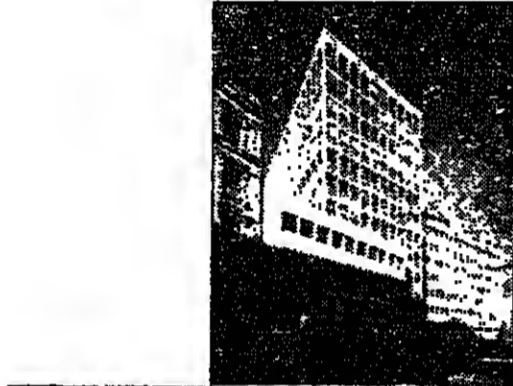
The schemes themselves are kept simple. Like Skillion, Metropolitan Real has discovered the cost advantages of standardised design.

Speed is one way of holding down costs. Another way of reducing risks is to go into joint ventures. Mr Palmiano said that one of Metropolitan Real's partners - in three schemes in 1988 and three this year - has been Abbey National. Unusually for a building society, it has not only provided loan finance but taken an equity stake. Other joint venturers are Tarmac and Trencherwood.

Finance has been made available by British clearing and merchant banks, underlining the enthusiasm of the banks for property lending, and in selected schemes by the Government.

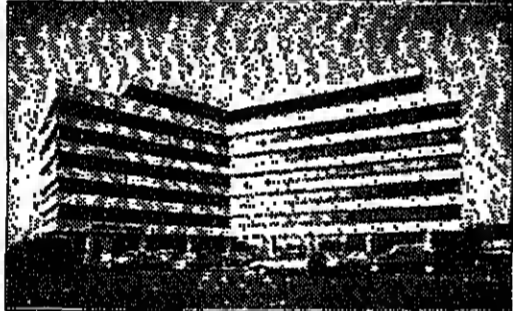
Until 1987, Metropolitan Real's profits were negligible, but in the nine months to last January, it made pretax profits of £1.98m. Latterly pretax profits have been coming in at the rate of over £230,000 a month.

Upon the instructions of



Elizabethan

8-18 GREAT QUEEN STREET, LONDON WC2
An air conditioned headquarters office building
Approximately 84,000 sq. ft.
All modern amenities including parking for 52 vehicles
Lease for sale
Passing rent only £1.60 per sq. ft.



ELM TREE HOUSE

ELM TREE WAY, BOREHAMWOOD, HERTS.
Air conditioned office floors
Approximately 20,000 sq. ft.
Parking for 49 vehicles
Lease for sale
Passing rent only £11.00 per sq. ft.



PRINCES HOUSE

37/39 KINGSWAY, LONDON WC2
Headquarters office building
Approximately 35,000 sq. ft.
Lease for sale
Passing rent only £27.00 per sq. ft.

For further details apply sole letting agents:-

CONWAY MORRIS
SURVEYORS VALUERS ESTATE AGENTS
7/A, Cannon Street, London W1V 7PE
01-409 2200
Fax: 01-409 1000

PRESTIGIOUS OFFICE DEVELOPMENT
LOCATION ON OFFER

The Land Authority for Wales is offering for sale a site capable of accommodating up to 200,000 sq. ft of office space on Churchill Way, Cardiff.

The site, centrally located adjacent to the city's main commuter railway station at Queen Street provides convenient access to one of the UK's most modern retail centres, including the St. Davids shopping Centre and GRE's Capitol Exchange, due for completion in early 1990.

For Further information contact:



Land Authority for Wales

Custom House,
Customhouse Street,
Cardiff CF1 5AP
Telephone (0222) 223444 Facsimile (0222) 223330

New self-contained
office building
6,035 sq. ft.To Let or For Sale
2 Plough Yard, EC2

Adjacent to Broadgate

All enquiries:

PRUDENTIAL
Commercial Property Division
01-606 9611

BAKER
HARRIS
SAUNDERS
01-796 4000

Enterprise Zone
Tax Shelter
FOR SALE

- Telford Enterprise Zone
- Pre-letting to Government Department
- 100% First Year Capital Allowances
- 'Institutional' Quality Office Building on an Established Business Park
- Building Completion: Summer 1989
- Lot Size: £3 million

All Enquiries:

Richard Ellis

VENTURE CONSULTANTS LIMITED

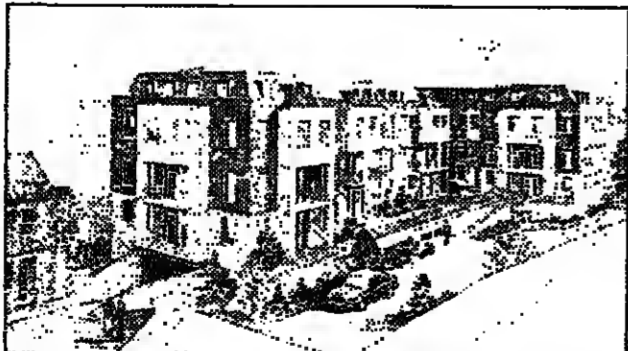
TELEPHONE 01-256 6411

55, Old Broad Street, London EC2M 1LP

Ref: NGH/M/RDS

THE PLAZZA
CHISWICK W4

6 SUPERB OFFICE BUILDINGS FOR SALE.
3,500 - 25,540 sq. ft.
Prices from £265 p.s.f.



Complementing their exclusive development of luxury apartments at Devonhurst Place, Bovis Homes have created for sale some of the finest individual offices available today.

EACH PROVIDES

- 3 FLOORS OF OFFICES
- PRIVATE PASSENGER LIFT
- DOUBLE GLAZING, GAS C.H.
- ELECTRIC GATES AND UNIFORMED GATEKEEPER
- LUXURY PENTHOUSE APARTMENT
- VIDEO ENTRY SYSTEM
- UNDERGROUND PARKING

Recently completed. View now for early occupation.

SOLE AGENT:

A DEVELOPMENT BY:
Bovis
Homes

John Lang
& Company
TEL 01-995 1331
SWAN CENTRE - FISKE LANE
CHISWICK - LONDON W4 1PX

The Compass Centre

CHATHAM MARITIME, KENT

An Enterprise Zone Office Development
of 63,000 sq. ft.

To Let

Completion April 1989

RATES FREE UNTIL 1996

Compass South - 32,400 sq. ft. available as a whole

Compass North - 30,500 sq. ft. available in units
(A) 7,460 sq. ft. (B) 4,085 sq. ft. (C) 4,085 sq. ft. (D) 4,055 sq. ft. (E) 10,815 sq. ft.

PRUDENTIAL
09/71 High Street, Chatham, Kent, ME4 4EE
Telephone: 0634 408226

Richard Ellis

Chartered Surveyors
Berkeley Square House, W1X 6AN.
Telephone: 01-629 6250

PLAZA 535
CHELSEA SW10
Stage II

Offices For Sale
From 500 - 2,000 sq ft
Available for Occupation Now

Apply:

Ref: JL
Farrar Stead & Glyn
01 - 434 9272

Ref: PBH
Jackson-Stops & Staff
01 - 499 6291

COMMERCIAL PROPERTY CONSULTANTS
Liverpool London Leeds Dublin
FREEHOLD INDUSTRIAL PREMISES FOR SALE
21,000 sq. ft.
Main road,
Birmingham, Warwick
Planning Permission for conversion to multiple managed workshops.
Offers over £775,000
MASON OWEN & PARTNERS
051-236 2336
100, North Street, Birmingham B2 4JQ

100
HATTON GARDEN
LONDON EC1QUALITY MODERN
AIR-CONDITIONED
OFFICE FLOORS
8,150/16,300 SQ. FT.

VIEWING BY ARRANGEMENT WITH SOLE AGENTS

DE GROOT
COLLIS

300-310 FISH LANE LONDON W1V 7LX

01-242 0333

FAX: 01-242 0333

Finnegan Menton

DUBLIN, IRELAND

Economic Indicators: Inflation Rate 3.3%; Balance of payments surplus 3.5% of Gross Domestic Product; Economic Growth for Winter '88 2.72%; Bank Rate 7.375%

AUCTION WEDNESDAY 3rd MAY
(unless previously sold)

PRIME RETAIL INVESTMENT PRODUCING IR£181,650 p.a. FREEHOLD

DONNYBROOK MALL

DUBLIN 4

Purpose Built High Street Shopping Freely Valuable Early Reversions. Growth Potential. Main Street frontage 269 ft (82.0 metres)

Viewing by appointment only.
Sols: Kennedy & McConaghy, 20 Northumberland Rd., D4.

Finnegan Menton

Upper Avenue, Annesborough, Valentia & Greenpoint, 17 Merrion Row, Dublin 2. Tel: 553-4769/44, Box 782320.

barnard marcus

NOTE NEW NUMBER

MAJOR COMMERCIAL AUCTION SALE

on Monday, Tuesday, 8th/9th May 1989 at the Kensington Hilton Hotel, Holland Park, London W11.

Including:

4 Lots by Order of British Rail Property Board and 57-69 Approach Road, Raynes Park London SW20

159-173 London Road, Mitcham, Surrey

367-389 Croydon Road, Wallington, Surrey

Catalogues from: **barnard marcus**

New Telephone Number: 01-741 9001

CITY OF LONDON DEVELOPMENT OPPORTUNITY

131-133 MIDDLESEX STREET LONDON E1

Existing Office/Retail Buildings Let With Early Reversions

GROSS SITE AREA 1895 SQ FT APPROX

For Sale By Tender

Closing Date - 15th May 1989

All Enquiries to Joint Sole Agents

Smith Melzack or De Groot Collis
01-638-1856 or 01-929-4012

St. James's London SW1

6,460 sq.ft.

Prime Air-Conditioned Offices to Let

All enquiries: Box T6992, Financial Times, One Southwark Bridge, London SE1 9HL

WANTED

by Private Investment Company

Good quality office, shop or industrial **PROPERTY PORTFOLIOS**; £1/2M - £15M. Quick decisions. Funds immediately available

Principals only please to Box T6990, Financial Times, One Southwark Bridge, London SE1 9HL

A MIDDLE OF THE ROAD AREA
The North West

St. Helens, Parr District

6 1/2 Acres approx

Planning for a 55 bedded nursing home together with 40 residential semi-detached houses for aftercare or resale.

Offers in excess of say £550,000

Contact: Richard Johnson
04575-6726 (office hours) 061-491 0886 (after hours)
0880-268015 (car phone) Fax No: 04575-67300

JAMES HARRIS WINCHESTER

FAREHAM - HAMPSHIRE

Ideal for a variety of uses but planning for full commercial usage of a Grade II listed Georgian House with the erection of a further office block bringing the total square footage to 4,400 with parking for 30 cars.

Guide Price £600,000 Freehold

Apply Petersfield Office

James Harris 57 Chapel Street Petersfield Hampshire (0730) 68516

James Harris Jewry Chambers Winchester Hampshire (0962) 841842

146

QUEEN VICTORIA STREET LONDON EC4

An outstanding development completed by

SPEYHAWK MOUNT ROW

ALL ENQUIRIES

RICK ASPLAND-ROBINSON SINCLAIR GOLDSMITH

PHILIP HOWELL'S JONES LANG WOOTTON

WANTED

All types of freehold and leasehold property, vacant or income producing. Investment portfolios, development and refurbishment opportunities for waiting buyers.

Contact David Morris at Fitzroy Commercial 01-431 5105 TODAY

FREEHOLD WANTED

Office or light industrial up to 10,000 sq. feet in SE1, EC1 or adjoining areas - preferably unmodernised. Owner occupier, circa £1m.

Contact: David Westbrook, Marketplace, 1 Albemarle Way, EC1 01 251 2536

FOR SALE

70,000 Sq.Ft. Building set in 20 acres within the New Forest with planning permission for either:

- 1) Staff training centre or
- 2) Nursing home complex

Building work 60% complete - can be finished to purchaser's specification

Southampton 17 miles Bournemouth 13 miles

For further details: call (01) 221-6438

LEASE FOR DISPOSAL LONG LANE LONDON EC1

12,000 SQ FT SELF CONTAINED OFFICE BUILDING

- * £10 per sq ft
- * Air cond. + Central Heating
- * 7 car spaces
- * Substantial premium required

Elliott Son & Boyton (01) 457 4411

FOR SALE 25 ACRE SITE - SKEGNESS 20 MILES

As investment or for development, 25 acres of residential building land with planning consent. The land is intended for disposal in 3 fully serviced parcels, however an early outright purchaser would benefit by assuming contracted sale upon major tranche.

Contact: Strachan White Pickering, 11 Euston Office, Hinton Road, Bournemouth BH1 2EF Tel: Bournemouth (0202) 299016

MORTGAGES

5/10 YEARS

10% INTEREST BALANCE ROLLED OVER

Minimum advance £1,000,000

Apply to HIRSH

Europe's Leading Finance Consultants, HIRSH INTERNATIONAL (Financial Services) Ltd, 15 Berkeley Street, London W1 Tel: 01-627-5021 Fax: 409-0419

THE PEACOCK INN MARKET HARBOROUGH

A fully licensed premises situated in the centre of Market Harborough with excellent redevelopment potential for alternative uses.

For Sale by Private Treaty

Yol. Fisher Hoggarth (0535) 410200

THROGMORTON BUSINESS CENTRE

Superior serviced offices, fully furnished, 24hr security, immediate occupation, 2 mins from Bank underground & easy access to all City Main Line Stations. For further details Telephone: 01-608 1771

ARE YOU ACTIVE IN COMMERCIAL AND INDUSTRIAL PROPERTY?

The re-launch issue of Property Monthly, Britain's brightest commercial property magazine is out now! For a reader copy and subscription details please write to Richard Sharp, Subscription Manager, Property Monthly, 27 Brickwood Road, Thornton Heath, Surrey CR6 7JL or ring 01-683 0311 NOW.

Boardroom and Office Suite, EC1

Prestige period furnished and serviced boardroom with adjoining office in Listed Building (total 400 sq ft), £120 per month. Ideal City Directors Suite.

Tel: 01-253 2268 for viewing.

Short/Long Term Furnished Offices in W1 available now 01-734 7350

ART GALLERIES

The Letwin Gallery, 20 Brunton Street, London W.1. 01-483-2107. An Exhibition of work by John, Barbara, Camille Gert, 6th - 28th April. Mon - Fri 10am - 5pm, Sat 10am - 12.30 pm.

Kendall Gallery, 22 Catherine Street, St Albans, Herts. 0727-9432. Impressions of India and Kashmir. Paints and watercolours on paintings. 17th April - 28th May. Mon-Sat 10am - 5pm.

COLCHESTER

Imposing Georgian OFFICES in prominent town centre location. Approx. 6,700 sq. ft. net. For Occupation or Investment. Freehold.

Details from: Hepper Robinson Whyburn, No. 1, Colver Street West, Colchester, CO1 1JG Tel: 0206-37767.

LONDON, EC1 Landmark City Freehold for Sale

100% freehold, 3,000 sq.ft. approx. All enquiries: Chatterton 01-248 5022. Evening Actroyd 01-728 7763.

EDUCATIONAL

FRENCH 66 IN PROVENCE

and FRENCH, DUTCH, ENGLISH or SPANISH 66 in the ARDENNES

The advantages of the Ceran 66 concept, with residential courses:

1. Intensive study (minimum 36 lessons per week)
2. Plus the constant practice of what you have learnt, every day from 6 a.m. to 10 p.m., with teachers conversely present at mealtimes, breaks and in the evenings.
3. A total of 66 hours per week of full immersion in the language.

Ceran is a top class international school for teachers in business management and government, as our references show.

CERAN 66

Language courses for motivated people.

CERAN LANGUES PROVENCE

118 A 8111 Avenue du Château 268, B-4880 SPAAL (Belgium) Tel: (+32) 87 71 64 Fax: (+32) 87 71 29

CERAN ARDENNES

118 A 8111 Avenue du Château 268, B-4880 SPAAL (Belgium) Tel: (+32) 87 71 64 Fax: (+32) 87 71 29

CONTRACTS & TENDERS

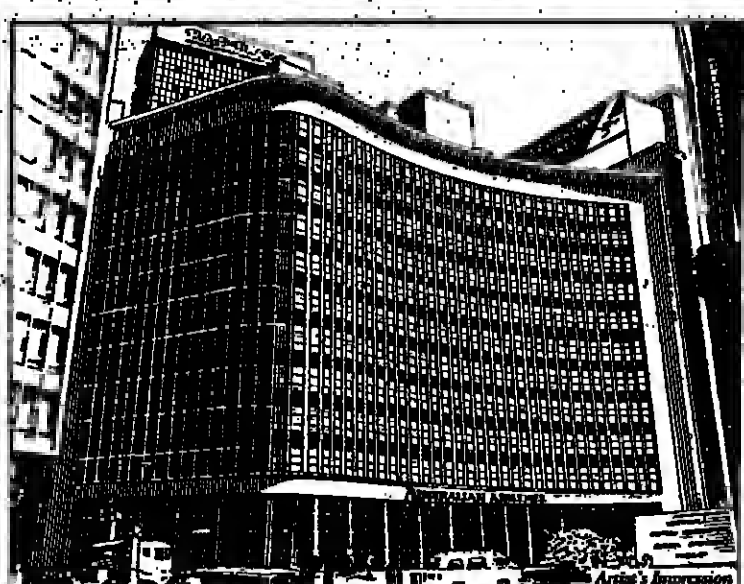
BAA PLC

BAA plc will shortly be inviting separate tenders for the operation of Dury and Tax Free Shops at Stansted Airport, Gatwick Airport and Heathrow Airport (Terminal 3). The shops will be a wide range of Duty Free Liquor and Tobacco products together with Tax Free Perfumes, Clothing and Gifts. At the present time a total of approximately 45 million international departing passengers per annum pass through the terminal buildings in which the shops are located.

Companies who wish to be considered for inclusion on the tender lists who have relevant experience in selling all or part of the existing product range and have appropriate financial management and other resources are invited to write giving details of their experience, organisation and financial standing to D J Lindsay, Contracts Manager, British Airports Services Limited, Commercial Services, Mainfield House, Gatwick Airport, West Sussex, RH6 0NP.

It is intended that prior to tenders being issued interviews will be held with suitable companies who further details of the contracts will be given.

A MONUMENTAL OFFERING



PRESENTING 1 CHIFLEY SQUARE, SYDNEY FOR SALE BY PRIVATE TREATY

This landmark property is an exceptional investment opportunity comprising 11,100m² of office and retail accommodation, together with 2 levels of car parking for 29 cars.

1 Chifley Square is occupied by Australian Airlines, Australian Government, the Joint Coal Board and Whigham Turnbull.

Surrounded by quality buildings such as the Sheraton Wentworth and the Legal & General Building, the importance of this location will be further enhanced with the completion of the Capita Building and the Bond Building.

Contact Tony Hall for further information.

Jones Lang Wootton

Level 22, 225 George Street Sydney, Australia
Phone: (02) 251 5888 Facsimile (02) 232 8120

The Financial Times proposes to publish the following survey on May 12th, 1989.

PROPERTY IN LONDON DOCKLANDS

For a full editorial synopsis and details of available advertising positions.

Please contact: Edward Batt on 01-873 4196 or write to him at: Number One, Southwark Bridge, London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LOOKING FOR STORE-PREMISES

West Germany continues to be one of the most attractive markets for the retail trade in Europe. Many sectors are showing two-figure growth rates. The demand for first class retail premises is correspondingly great. For years demand has been greater than supply. This situation calls for a competent and well established partner when searching for suitable premises or chainstores. Kemper's has specialized in the cities for years and has a nationwide as well as local involvement.

Contact us. Kemper's • Cecilienallee 6 • D-4000 Düsseldorf 30
Telefon -49-211-498849 • Telefax -49-211-490286 • Telex 8582686

KEMPER'S
COMPETENT IN THE CITY

MANGER LANE LONDON W5

MAJOR DEVELOPMENT OPPORTUNITY

TO ACQUIRE APPROXIMATELY 6.5 ACRES OF FREEHOLD LAND

FOR SALE BY INFORMAL TENDER

VIEWING STRICTLY BY APPOINTMENT WITH SOLE AGENT

Sarah J Key/Philip D Wardle

DEBENHAM TEWSON & CHINNOCKS

35 Smeeth Place, London W1A 4NA
01-408 1161

23+ ACRES TAMPA BAY BEACHFRONT

Apollo, Near Tampa, Florida

Zoned commercial, 2 separate parcels with approximately 3,000' of white sandy beach on over 23 acres on Tampa Bay. Ideally situated minutes from Tampa's metro complex.

Parcel 65: \$5,500,000
Parcel 67: \$2,750,000
Parcel 68: \$1,750,000

SOTHEBY'S INTERNATIONAL REALTY
440 Royal Palm Way, Palm Beach, FL 33480,
407/568-0656 USA

Montreal-Canada Offer-Security

Owing to the death of German owner, block of flats for sale in down town Montreal overlooking the Olympic Site. 3 Mio. Can. \$.

1984 Investment, Self-liquidating, 13 West Germany - 5000
March 5
Phone 001/607/29 28 85
Fax 001/607/29 28 85

Entire Private Mountain Valley

6,500,000 M². 1,6250 acres, cork oak forest, grazing, hunting. View to the sea, Africa, Gibraltar, 25km. Sotogrande, 45km. Gibraltar, borders wildlife refuge, new road access, lake, some building's, income. Partnership dispute, must liquidate. P. Co. owned, US\$ 1.6 million.

Spain (34-52) 82-2950 / 82-1349 / FAX: 82-4657.

GOLF DE SUR - SOUTH TENERIFE

Superb site for sale in prime location overlooking championship golf course. Permission to construct 366 apartments joint venture considered. PRICE: 800,000,000 pesetas. only serious enquiries please. also, wide selection of Spanish properties available from £25,000.

Tel: I.P.I. Ltd. (0273) 774098/724369

AEROSPACE

The Financial Times proposes to publish this survey on:

7TH JUNE 1989

For a full editorial synopsis and advertisement details, please contact:

PENNY SCOTT
on 01-873 3389

or write to her at:

Number One Southwark Bridge London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ARTS

Arts Week

F | S | Su | M | Tu | W | Th

14 | 15 | 16 | 17 | 18 | 19 | 20

THEATRE

London

Fuenteovejuna (Cottesloe). Wonderful production of Lope de Vega classic by Cheek By Choke director and designer Declan Donnellan and Nick Ormerod. The best National production in this venue since the Bill Bryden company. May 3-6 (828 2282).

Bed (Cottesloe). Imaginative review for old codgers in Pyramus and a sleeping den as big as the Great Bed of Ware itself. The delightful and unusual proceedings are scripted by Jim Cartwright, directed by Julia Bardeley. April 14-19, April 26-May 2 (828 2282).

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude, Michael Bryant a superbly husky and dangerous Polonius. Fullish text, but no emotional or intellectual fire. May 2-8, 16-18, May 25-June 1 (926 2282).

Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Elton in the royal picture gallery. Simon Callow plays Guy Burgess in a rehash of Bennett's film *An Englishman Abroad* (784 1168).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stone-walling and no-dealing tricks (830 2278, cc 839 1428).

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).

The Vortex (Garrick). The Maris Ait-

ken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (879 6107, cc 741 9899).

Mrs Klein (Apollo). Intriguing chat among the child psychologists in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (837 2063, cc 379 4444).

Encore (Vandeville). Ian McKellen and Jane Asher in hischy funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9887, cc 741 9899).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's intimate new musical, adapted from a novel by David Garnett, opens with mixed reports from the preview. Trevor Nunn directs, Michael Ball stars opposite Kevin Colson, who has replaced Roger Moore (828 8872).

King Lear (Old Vic). Eric Porter in titanic and lyrical form in Jonathan Miller's production. Paul Rogers is Gloucester, Gemma Jones and Frances de la Tour are Goneril and Regan. The lighting has been described as either murky or a calculated soap in 17th century Tenebrist painting (828 7616, cc 261 1821).

Russell's armistice and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch. Cais (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically felicitous (239 6362).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6362).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings in Broadway legends in pageantry and drama (239 6362).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6362).

OPERA AND BALLET

London

Royal Opera, Covent Garden. *La Clemenza di Tito*, one of the Royal Opera's most admired Mozart productions of the postwar period, returns with its original conductor, Colin Davis. English National Opera, Coliseum. *Eugene Onegin*, an opera not previously given by the ENO at this theatre, is produced by Graham Vick and conducted by Mark Elder, with Jonathan Summers in the title role and Marie McLaughlin as Tatjana.

Paris
Opéra. Tchaikovsky's *Sleeping Beauty* comes back in the Palais Garnier in Rudolf Nureyev's choreography inspired by Petipa in Nicholas Georgiadis decor. (47425760).

Milán
Teatro alla Scala. Last performance of Giorgio Strehler's production of *Don Giovanni*, conducted by Riccardo Muti, with gloomy but impressive sets by Ezio Frigerio and costumes by Franca Squarciapino. (80.91.26).

Rome
Teatro dell'Opera. The opera's

and political context of Europe as a whole. Ends June 26 (42885410).

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre marin*, influenced at first by the Impressionists and later by Degas and Cézanne. Until April 24, closed Tues; late closing night Wed (42 98 53 30).

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a Renaissance royal palace only to be turned into a museum in revolutionary 1793. Open Sun-PM, Mon and Wed until 9.45pm, closed Tues.

The Louvre. Les *Donateurs du Louvre*. Aply, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors

throughout its existence. Entry through the Pyramid, Hall Napoleon, Nivean Accell.

Musée Jacquemart-André. Russian historical costumes. Leningrad State Museum has lent 200 exhibits from its treasure trove of historical costumes dating from 1700 to 1914.

188. Eld Hausmann. 12 noon-6.30pm; ends May 31.

Musée des Arts Décoratifs. The intimate world of Alexander Calder, some 300 works, most of them gifts to family and friends and, as such, exhibited for the first time, show the inventiveness and sense of humour of the sculptor. Ends May 21. Closed Mon and Tue (42803214).

Musée d'Orsay. Paul-Emile Miot's photographs from Tahiti 1869-1870 show the melancholy reality behind Gauguin's dreams of an exotic paradise. Closed Mon, ends April 23 (40494814).

Amsterdam
Stedelijk Museum. The first major retrospective of the work of Kasimir Malevich combines loans from leading Soviet galleries with the famous holdings of the host museum. Ends May 28.

Van Gogh Museum. Prints, drawings and gouaches illuminate the work of Gauguin's followers who banded together under the name Les Nabis. Ends May 28.

Brussels
Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.

Musées Royaux d'Art et d'Histoire. Tibet - Terror and Magic, sculptures and paintings of lamaist gods on loan from the Musée Guimet, Paris. Indus: Ancient Civilisation from Pakistan (both closed Monday and end May 14)(733.9610).

Frankfurt
"Je Suis le Ciel", the sketch-

Richard Versalle, Alfred Müll, Wolfgang Brendel, Nadine Danze, Sabine Hass and Christa Bladin. The ballets *Thésée/Thésée* and *Artaxerxès* are both choreographed by Youri Fomine. Marco Arturo Marelli's production sets and costumes wonderful singing by Yoko Watanabe and Michael Sylvester.

Münich
Staatsoper. *Aida*, conducted by Gidon Sargon. Respectable with Anna Tomowa-Sliowa, Lando Bartolini, Bruna Bagnoni and Guido Goetz.

New York
Metropolitan Opera. Benjamin Britten's *Billy Budd* continues with Thomas Allen in the title role, James King as Captain Vere and Jan Hendrik Roetzheim as Claggart, conducted by Thomas Fulton. Sumi Sugi Glida and Leo Nucci continue in the title role of *Rigoletto*, conducted by Nello Sanzi.

Tokyo
Classical Ballet of Spina with Maya Plisetskaya. *Furuzakura, Corneille, Dances and Actes*. *Maria Stuart*. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Thurs) (265 6881).

New York
Pierpont Morgan Library Master drawings borrowed from Holland's oldest museum, the Taylor in Harlem, focuses on work by Michelangelo, Raphael, Correggio, Rembrandt and Guercino among 100 pieces from the 16th and 17th centuries. Ends April 30.

Washington
National Gallery of Art. *Cézanne: The Early Years*. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impresionist techniques from 1859 to 1872. Ends April 30.

Chicago
Art Institute. As part of a national tour, 67 rare ancient Greek sculptures, bronzes, and painted terracotta trace the development of the human form in art from the tenth to the fifth centuries BC. Ends May 7.

Tokyo
National Museum of Western Art. Masterpieces from the Vatican. A somewhat random selection of paintings and sculptures, chosen to demonstrate the development of western art from ancient Greece to the Renaissance as well as to present the architecture of the Vatican itself. Closed Mondays.

National Museum of Modern Art. Cézanne: A major retrospective featuring more than 200 paintings, prints and drawings by the great French Symbolist, attractively arranged by subject. Closes at 6.00pm. Closed Mondays.

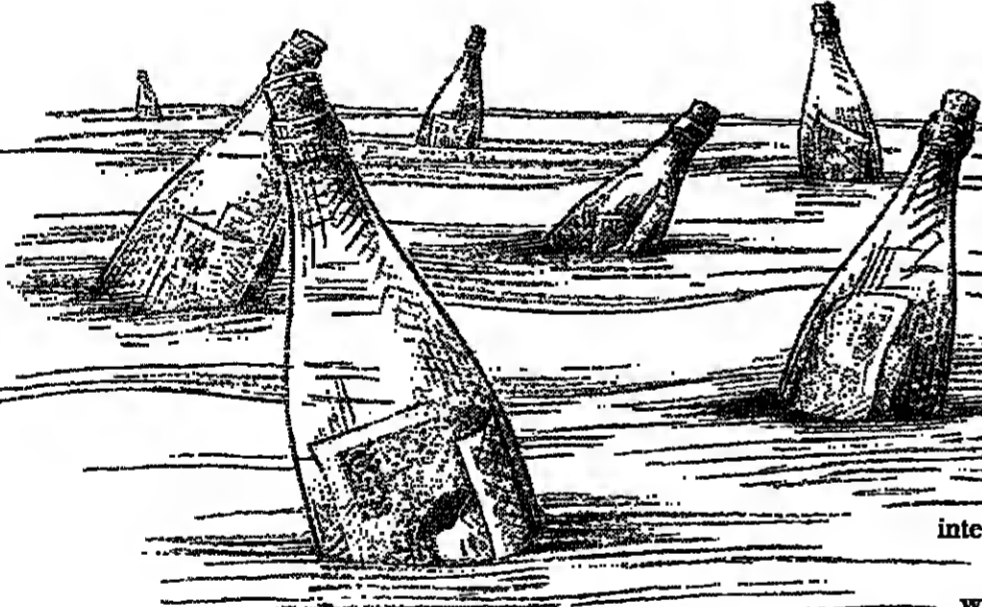
Hamburg
Staatsoper. Harry Kupfer's wholly delightful production of *Beethoven's Fidelio* with Hans Hotter, Harald Stamm and Carmen Anhorn. *The perfidious Brant* is a well done repertoire performance. *Coos and Pog* stars Julia Vezdy, Giorgio Lamberti, Enzo Cappoccioli, Wladimir Afanador, Boris Troitskiy and Louis Quilica.

Cologne
Opera. Cologne honours the great producer Jean-François Fosselle, who died last year, by restaging the complete Mozart cycle of seven operas.

Frankfurt
Opera. *Artaxerxès* has wonderful Wilhelm Froschke choreography. There was much applause for the opera debut of the Lievi brother's *La Clemenza di Tito* production, which it opened. The main parts are perfect sung by Anja Soldh, Keith Lewis, Larissa Rohlin, Pia Marie Milleson, Gregory Yurischik and conductor Gidon Sargon. Also offered *Dido and Aeneas*.

Bonn
Opera. *Tannhäuser* is sung by

WITH HALIFAX JERSEY-BASED INVESTMENT YOU DON'T HAVE TO BOTTLE YOUR MONEY UP.



Investing overseas needn't mean waving bon voyage to your money for a fixed period.

With HALIFAX DEPOSIT INTERNATIONAL it's a breeze to get at.

There is no minimum time limit on your investment and you can have instant access with no penalties. You can even have U.K. standing orders, direct debits and monthly interest.

Being the Halifax you can expect highly competitive interest rates, and being Jersey-based you can get interest with no tax deducted.

Your sterling investment can start with a minimum of £1,000 at the substantial rate of 11.00%.

From there the interest rate automatically rises on the whole investment as your balance steps up as follows:-

AMOUNT	£1,000+	£10,000+	£25,000+	£50,000+
INTEREST RATE	11.00%	12.00%	12.00%	12.85%
C.A.R.*	11.50%	12.56%	13.00%	13.20%

Interest rates may vary so you can call our Halifax Jersey Hotline on (0) 534 59840 for up to the minute information.

To qualify for this great investment opportunity you have to be not ordinarily resident in the U.K. If you qualify and would like to open an account, simply send us a cheque with the completed coupon below.

It could be your first step to a whole new investment opportunity. One worth opening a bottle or two to celebrate.

To Halifax Building Society, International Investment Unit, Ingouville House, Ingouville Lane, St. Helier, Jersey, Channel Islands.

I/We enclose a cheque/money draft No. _____

For _____ (minimum deposit £1,000)

I/We are not ordinarily resident in the U.K. Please send the declaration form for the payment of interest to the interest to be:

Added to balance Paid half yearly Paid monthly

Full Name _____ Title _____

Address _____

Nationality _____ Tel No _____

This sum is being invested in HALIFAX DEPOSIT INTERNATIONAL, by me/us as sole/joint beneficial owner(s).

Signature _____ Date _____

HALIFAX
THE WORLD'S NO 1 00407708

Halifax Building Society, International Investment Unit, Ingouville House, Ingouville Lane, St. Helier, Jersey, Channel Islands.

Interest is paid twice yearly, giving a higher compounded annual rate (C.A.R.) if left intact for the whole year. Copies of the full regulations are available on request. Halifax Building Society's registered office is in Halifax, U.K. Rates are correct at time of going to press.

NOTICE OF REDEMPTION
To the Holders of
UNITED KINGDOM
Fifteen Year 8 3/4% Bonds Due 1993

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of May 1, 1978 and the Terms and Conditions of the Bonds, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected \$3,918,000 principal amount of the 8 3/4% Bonds due 1993, for redemption on May 1, 1989 for the mandatory Sinking Fund at 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

OUTSTANDING BEARER BONDS OF \$5,000 CALLED IN FULL EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

Number	Principal Amount in \$	Number	Principal Amount in \$	Number	Principal Amount in \$	Number	Principal Amount in \$
3860	14,809	12567	830,000	12584	13,000	12617	25,000
14809	15,698	12569	4,000	12585	13,000	12618	1,000
15698	15,701	12571	3,000	12586	3,000	12619	2,000
15701	15,711	12572	12,000	12587	3,000	12620	1,000
15711	15,717	12576	1,000	12588	3,000	12621	1,000
15717	15,717	12577	2,000	12589	3,000	12622	1,000
		12578	3,000	12590	15,000	12623	6,000
		12579	3,000	12591	1,000	12624	2,000
		12580	3,000	12592	2,000	12625	1,000
		12581	2,000	12593	1,000	12626	1,000
		12582	1,000	12594	1,000	12627	3,538,000

Payment will be made on May 1, 1989 for the bearer Bonds selected for redemption upon coupons attached and surrender of said Bonds with coupons due November 1, 1989 and subsequent coupons attached to the same. The Fiscal Agent in London and Brussels and the Bank of England in London. No payment on any bearer Bond will be made at the Corporate Trust Office of the Fiscal Agent or any Paying Agent in the United States, nor, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail in an address in, the United States. Coupons due May 1, 1989 should be detached and collected in the usual manner.

Payment will be made on May 1, 1989 for the portion of the registered Bonds selected for redemption upon presentation and surrender of said Bonds at the Corporate Trust Office of the Fiscal Agent, 30 West Broadway, New York, New York 10015 or at the above-mentioned offices. The holder of a registered Bond, a portion of which has been selected for redemption, shall upon surrender thereof receive, without charge, a new Bond or Bonds, in aggregate principal amount equal to the portion thereof not selected for redemption. Payment of registered interest due May 1, 1989 will be made to the registered holders by check in the usual manner. On and after May 1, 1989 interest shall cease to accrue on the Bonds or portions thereof herein designated for redemption.

Payments at the office of any Paying Agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 26% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury that the payee's taxpayer identification number (employer to provide their correct taxpayer identification number on Internal Revenue Service Form W-9) and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

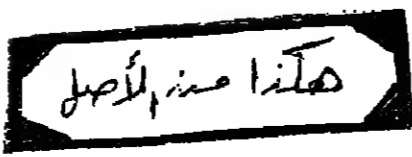
It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

THE LORDS COMMISSIONERS OF HER MAJESTY'S TREASURY

Dated: March 31, 1989

The following Bonds each bearing the following distinctive numbers previously called for redemption have not as yet been presented for payment:

Number	Principal Amount in \$	Number	Principal Amount in \$	Number	Principal Amount in \$	Number	Principal Amount in \$
566	5,000	4270	85,000	12485	\$13,000	12519	\$95,000
3869	5,000	4556	5,000	12486	3,000	14235	5,000
25,000	4557	5,000	12488	3,000	14236	5,000	
4242	25,000	8167	5,000	12510	1,000	14237	5,000
4251	5,000	12210	17,000	12517	5,000		



ARTS

Spanish talent

Susan Moore at the National Gallery

Goya dominates 18th and 19th century Spanish art like his famous Colossus. No other painter seems to exist save this dark brooding giant.



Still Life with Bread, Cured Ham, Cheese and Vegetables by Luis Meléndez

neo-Classicism, the antithesis of Goya's art, as the new court style. Goya's florid, highly finished oil sketch of the Birth of the Sun and the Triumph of Bacchus for a ceiling fresco in the palace hangs beside works by his pupil Antonio González Velázquez (no relation), and his pupil Bayeu.

Louvre's swaggy but subtle self-portrait of the confident young artist is a revelation. Expelled from the Academy, he turned to painting miniatures and, during the last 20 years of his life, still lives, executing some 100 of which nearly half languish in store in the Prado.

cut of salmon are enough to send one rushing to the nearest tapas bar.

Paret's delightful canvases owe as much to the rococo of Watteau as to that of Giacomini or Tiepolo. He is represented here by arguably his most famous project, the series of views of Cantabrian ports commissioned by the future Charles IV, and modelled on Veret's series of French ports painted for Louis XV. These seven (of 12) canvases have not been seen together since 1808.

Faret played a part in Charles III's programs of urban improvement, designing monuments and fountains. These, and a great deal more, feature in Michael Heistons's matter-of-fact and unusually useful accompanying audio-visual.

Médée

QUEEN ELIZABETH HALL

Tremendous Médée! Cherubini's Classical tragedy of 1797 was presented on Wednesday night in concert by the Orchestra of the Age of Enlightenment as part of the South Bank's "Revolution Revisited" series: few operas could be more aptly chosen.

In it the Classicism natural to this composer and the Romanticism already on the horizon fix an explosive encounter. At times, indeed, the work seems about to burst at the seams, while yet being contained within one of late-18th century opera's most finely contrived structures.

Médée is not an unknown opera, but in its original form few people know: that is, as a French opéra-comique, with speech and song in carefully weighted alternation. In the Callas years, an Italian translation of the adaptation by Franz Lechner (a Schubert

follower), with its anachronistic recitatives and its swingeing cuts in the original numbers, held sway. In 1984 the Buxton Festival pioneered a return to the original, next season Covent Garden intends to add the same to its repertory. Meanwhile, Wednesday's concert was a chance to introduce the original Médée to London, and to prove its infinite superiority over its offspring.

The chance was missed. In the matter of a part-spoken, part-sung Médée the verdict "case improved" must have stood: in many respects this was a terribly disappointing performance, embarrassingly mispronounced and miscast, by most of the members of an entirely Anglo-Saxon cast. (How very strange that the "Revolution Revisited" series has failed to employ a single francophone singer!) The numbers were all brutally cut. The preparation of the orchestra and chorus seemed incomplete, and the support with the conductor, Gabriele Ferro, insecure - at least until Act 3, where ensemble and attack began at last to cohere and take fire.

But was also a chance to introduce to London Elizabeth Connell's account of the title role, acclaimed in Sydney not long ago. From this point of view the occasion was a huge success. Miss Connell made her

entrance from mid-auditorium, and raised the temperature from tepid to fiery with her first words. In red and gold she cut a grandly theatrical figure - and the heat of the stage was indeed felt in her whole performance. Without having mastered every spoken word (her pronunciation of "œil" needs instant correction), the soprano showed a determination to project the spoken lines with a dramatic fervour quite unknown to her companions on the platform.

As a singer Miss Connell was thrilling: clean-lined, with a Classical breadth for "Vous voyez" and "De trouble affreux", colourful in timbre, energetic in phrasing, tireless at just those points where she could have been forgiven for flagging - surely she has no real need of all those snips and slashes to the text of the Act 1 and 3 finales. Alongside her Anthony Rolfe Johnson (JASON) and Lillian Watson (DIREC) were appealing but somewhat strained; Linda Finnie (NERIS) was strong, a little raw, and John Hancock (CREON) hopelessly overpowered. None showed much sense of character. Mr Ferro, an admirable Rosini conductor, softened the edges of the music and failed to sound its frenzy.

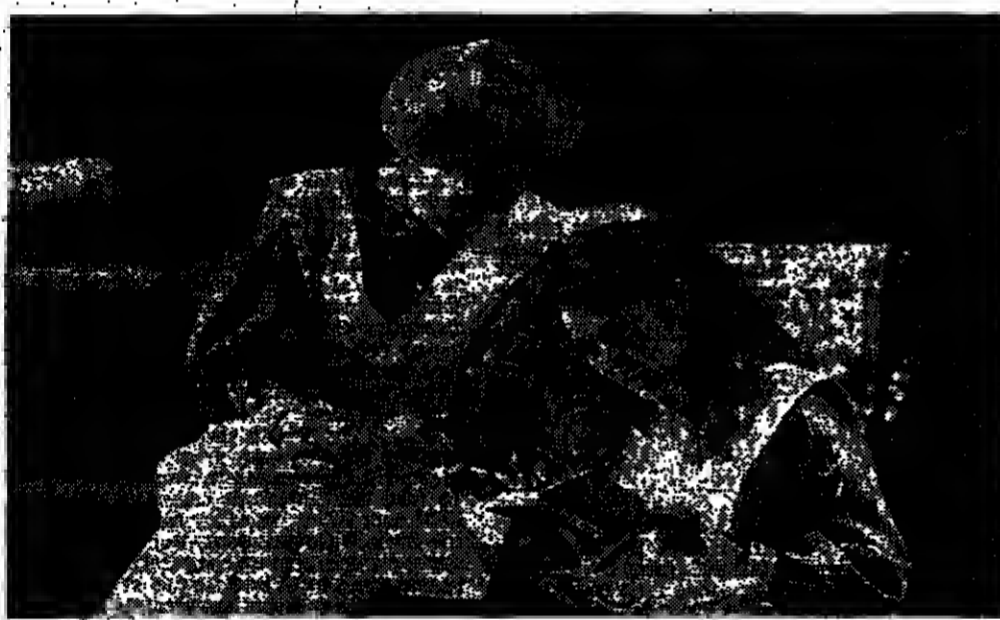
Max Loppert

Eugene Onegin

COLISEUM

This new English National Opera production is not only good in parts, but very good in most of its parts. Yet it amounts to a Hollywoodisation of Chalkovsky's opera - broad and generally affective, sometimes vivid, hardly ever capturing dramatic truth. Its presiding spirits are presumably the conductor Mark Elder and the producer Graham Vick, whose all-encompassing and archaic, the other determined to strip away bourgeois naturalism in favour of - well, in the result, Victorian melodrama. The incidental pleasures are real enough but one had hoped for more.

Vick and his designer Sally Jacobs (whose costumes are irreproachable) have decided to set Onegin in a black volcanic landscape with slashes of white and lurid red. Maybe one ought to think "Ah yes, fire and ice" but one doesn't: one thinks "candied cut outs". So, apparently, do the guests at the Larin party, who keep sipping past an angry lava-outcrop without a qualm. The choral contingent of serfs emerges from the chasms in measured double-file, and retreats in the same way. On an impressive peak at the rear sits a highlight S-D church, significant because it has absolutely nothing to do with the story. In front we get variously the Larin country estate, which consists of sparse indoor and outdoor furniture on a single hydraulic platform, and token indications of the



Catherine Wilson and Marie McLaughlin

other venues. In the circumstances, it is not easy for Jonathan Summers' world-weary Onegin to react to the simple countryside and its denizens with appropriately complicated feelings. The voice is sonorous and heartfelt, the manner hectoring, the style distinctly reminiscent of Oscar Levant in a tuxedo: not uncouth, but not much like an urbanly superior aesthete. When in their final confrontation Tatyana asks him please

not to "kneel", he is already sprawled prostrate on the floor, and thereafter he bellows all the way to the end. It remains unclear why, in Act 3, he should suddenly go in for histrionic gestures and centre-stage posing when earlier - like everybody else - he has been standing about with dangling arms, in the familiar tradition of British amateur theatre.

Marie McLaughlin's eager Tatyana, broadly stretched, scores her points loudly, with feeling but with excessively plaintive timbre. Her "letter scene" would admit of much more delicate detail, and surely will. Arthur Davies offers a most touching and attractive Lensky, and yet his swan-song with the lustrous self-pity of a Puccini hero - just where a slender, sad-sweet tenor ought to fix the character indelibly. No do moments enlist Elder's best sympathy: what seems to

engage him most is the big walk in Act 2, which goes with a tremendous swing. Also the Act 3 Polonaise - but there Vick's realisation is greily staid, as if to explain the revenge! Eugene's gloom response not by his being sadder and wiser, but merely by the fact that everybody is older.

Ethna Robinson's lively, middle sister Olga fails only at the last hurdle, when she resorts to Lensky's distress, at the party, over her flirtation with Onegin that she doesn't know what she means, either she's lying or not: we have to know which, but she gives us too little evidence. Mama is Catherine Wilson, whose symptoms of character would ripen in a context less denuded of ordinary life. Patricia Payne's fine nurse has already had that advantage on other stages and it was disappointing hard to see her reduced to a stereotype.

Tatyana's eventual husband Prince Gremin is Norman Bailey, who endows him with all the elevated sincerity one expects: bravo! Edward Byles turns M. Triquet's couples in pretty style, and as Lensky's stern second for the dual Richard Van Allen casts a sobering chill. From such a team, Vick might have drawn much more. It was silly, and cack-handed too, to deny them of the surrounding human detail in which they could flourish.

David Murray



Annette Crosbie and Sharon Duce

The Way South

BUSH THEATRE

The young writer Jacqueline Holborough brings another play about women in prison to the spine-bending, leg-constricting Shepherds Bush penitentiary they call a pub theatre, where two years ago her

Alison Chitty's set defines the hospital cell with a different coloured floor area from the untrammelled fantasy where prisoner Jo roams in her memory. Her cell contains a bed, bedside locker, a chair and, depending on her state of grace with the authorities, flowers, books and a radio. These can be removed as a sign of disfavour when, for instance, she persists in a hunger strike till death - or until her application for a transfer to a softer prison down south is granted. So far, and after 13 years of incarceration, the Home Secretary maintains her move would not be in the pub-

lic interest. The play's first apparent weakness is that we never know why Sharon Duce's horse-loving, vaguely middle-class Jo is serving such a stiff sentence as a Grade A prisoner. The young man (Robert Hines) who figures in her memories has a northern Irish accent; references are made to the violent death of acquaintances, to Jo planting a bag at a railway station, to atrocity. But these jigsaw pieces are spread over too long a period and seem to beloken another play. Indeed, it is not clear exactly what theme the author has decided on. We skip from jail conditions to the put-upon humanity of prison officers, to the bitterness engendered by unemployment and the outraged pride of men when their womenfolk are the breadwinners, to the miners' strike, to comfortable liberals. But illumination amounts to no more than a glancing, sometimes light-hearted, flicker.

But if the episodic nature of the short play betrays a lack of overall shape, consistent pleasure can be drawn from

Annette Crosbie's performance as the prison officer. She makes the Act 1 climax, with her declaration that she is "lonely and tired and miserable - and I don't know what else to do" much more than the fairly predictable cliché it threatens to become.

The second half finds both women cheerful, friendly and in reminiscent mood, recalling both prison experiences and red-letter days in the outside world. Here Miss Duce is more at ease than in the throbbingly dramatic exclamations she has let rip with in Act 1, a hard test for an actress in the self-consciousness inducing intimacy of the Bush. John Burgess' direction does little to make the mood-shifts coalesce; and when Jo finally exclaims in desperation, "They can't keep you here forever, can they?" we feel that she, or at least the author, should tell us, since she knows more of the background than we are allowed, momentarily, to glimpse or care about.

Martin Hoyle

ARTS GUIDE

MUSIC

London

London Philharmonic conducted by Claudio Abbado. Concertgebouw Orchestra conducted by Y. Prin. Claude Helffer, piano; Jarrell, Caga, Miland. Théâtre National de Chaillot (Mon) (42225252). Nocturnal Orchestra of Paris conducted by Jerry Malyszynski. Jean-Yves Thibaudet (piano). Sully Prudhomme (Tue) (42225252). Jeanne Contreras, soprano recital. Chatelet (Tue) (42225252). Shirley Verrett (soprano), Schumann, J. Nis, S. Elbert, Verdi. Théâtre des Champs Elysees (Wed) (42225252). Orchestra de Paris conducted by Kent Nagano, with Cho Liang Lin, (violin), Stravinsky, Mozart, Ravel (Wed, Thur) Salle Pleyel (45580798).

Paris

Théâtre de l'Ateneum, Hermann Frey recital (Mon) (47425277). London Symphony Orchestra conducted by Pierre Boulez, Brno Philharmonic conducted by Claudio Abbado. Concertgebouw Orchestra conducted by Y. Prin. Claude Helffer, piano; Jarrell, Caga, Miland. Théâtre National de Chaillot (Mon) (42225252). Nocturnal Orchestra of Paris conducted by Jerry Malyszynski. Jean-Yves Thibaudet (piano). Sully Prudhomme (Tue) (42225252). Jeanne Contreras, soprano recital. Chatelet (Tue) (42225252). Shirley Verrett (soprano), Schumann, J. Nis, S. Elbert, Verdi. Théâtre des Champs Elysees (Wed) (42225252). Orchestra de Paris conducted by Kent Nagano, with Cho Liang Lin, (violin), Stravinsky, Mozart, Ravel (Wed, Thur) Salle Pleyel (45580798).

Brussels

The Monnaie Orchestra and Chorus conducted by Hans Zender with Roland Hermann (bass) performing works by Vaynsa, Mendelssohn and Zender. Palais des Beaux Arts (Fri). Henna Contreras (soprano) in concert. Théâtre Royal de la Monnaie (Sun). Alfred Brendel (piano) playing works of Brahms, Beethoven, Liszt and Mozart. Palais des Beaux Arts (Wed). Namika Ensemble performs traditional Chinese dance and music. Palais des Beaux Arts (Thurs).

Frankfurt

Lena Bergman piano recital. Brno Philharmonic. Alte Oper (Sun).

Berlin

Berlin Philharmonic Orchestra, Chorus de l'Orchestra de Paris and singers Waltraud Meier, David Rendall, John Tomlinson, Philippe Rouillon, conducted by Daniel Barenboim. Berlin/La Donazione de Franz Philharmonie (Sun, Mon).

Amsterdam

Royal Concertgebouw Orchestra conducted by Charles Dutoit, with Ronald Brautigam (piano). Bernstein, Stravinsky, De Falla (Sat). Amsterdam Baroque Orchestra under Ton Koopman, with Wilbert Hazelzet (traverso), Haydn, Mozart (Tue). Royal Concertgebouw Orchestra conducted by Riccardo Chailly, with Krystian Zimmern (piano). Wagenaar, Stravinsky, Beethoven (Wed to Fri). Concertgebouw (718 345).

Rotterdam

Amsterdam Baroque Orchestra under Ton Koopman, with Wilbert Hazelzet (traverso), Haydn, Mozart (Wed). The Notte Bianca by Mammiro sung by Silvia Ranalli and Renato Bruson, with Marcello Mastromeoni and Anne Maria Guarnieri speaking the recitative, and pianist Garrick Ohlsson. Auditorium in Via Della Conciliazione (Fri) (854104). Barry Tuckwell, horn, and Keith Suzuki, piano, playing Beethoven, Schumann, Koehlin, Saint-Saens and Hindemith. Teatro Chiuso, Via Della Fornaci 37 (Thurs) 68.72.294.

New York

New York Philharmonic conducted by Robert Johnson. Haydn, Hindemith, Jacob Druckman, Schnittke, Schubert, Martin Hall (Mon) (682 878). National Orchestral Association conducted by Jorge Mester with David Shubin, clarinet. Pro-gramme of world premieres by Christopher James, Brian Fenally, Martin Herman, Todd Benfante, Carnegie Hall (Tue) (679). New York Philharmonic conducted by Gunther Herbig with Alicia de Larrocha, piano. Haydn, Mozart, Tchaikovsky. Avery Fisher Hall (Tue) (874 679). Philadelphia Virtuosi conducted by Richard Kapp with Alicia de Larrocha, piano. Mendelssohn programme. Town Hall (Tue) (642 1818).

Washington

National Symphony Orchestra conducted by Pinchas Zukerman. Mozart, Vivaldi. Kennedy Center Concert Hall (Tue) (254 3778). National Symphony Orchestra conducted by Hakan Hagegard (baritone), Mendelssohn, Mahler, Sibelius. Kennedy Center Concert Hall (Thurs) (254 3778).

SALEROOM

Fruit and veg record

An elaborately illustrated description of the cities of the world, produced in Cologne around 1500, and for £21,700 at Sotheby's yesterday. The price was at the very bottom of the estimate. Civitates Orbis Terrarum by Georg Braun and Frans Hogenberg, is in six volumes and has 356 plates, coloured throughout in contemporary hand, heightened with gold. All told the morning session of a Sotheby's auction of Natural History, Maps and Travel totalled £226,771 with less than 1 per cent unsold. Johannes Kip's Nouveau Theatre de la Grand Bretagne, with over 250 plates and 40 maps, sold for £42,900 as against a top estimate of £12,000. It is a celebration of the English country house during the Augustan Age (published in 1714) and includes the rare Sadler plate of Hatfield House.

The Dutch edition of Weimann's Phytanthozoa iconographica, with over a thousand plates, did well at £33,000, selling to the London dealers Graham and Oxley. It is the first botanical work with colour printed mezzotints, and has been described "Of flowers, fruits and vegetables, a most compete and interesting record of the plants cultivated early in the 18th century." The Walk's Atlas of the World, of the early 18th century, with

Antony Thorncroft

ANNOUNCEMENT

An explicitly announced on 10 October 1987 by "The Times" and "The Financial Times", the government of the People's Republic of Bulgaria made a Final Offer of Settlement to persons who were United Kingdom nationals at 10 September 1987. In respect of bonds of certain foreign public loans of the Principality of Bulgaria and the Kingdom of Bulgaria. The Offer remains open for acceptance until 10 October 1989.

British nationals, holders of bonds, who decide to accept this Offer, should apply to the Paying Agent, NATIONAL WEATHERSHELF BANK, South Office Services, National Westminster House, Station Way, Crawley, West Sussex for a Form of Acceptance and a copy of the Offer.

The Council of Foreign Bondholders and the League Loans Committee (London) refer to the above Offer published today on behalf of the government of the People's Republic of Bulgaria and recommend acceptance to accept.

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Friday April 14 1989

No fortress in EC banking

THE EUROPEAN Commission's decision last year to incorporate a reciprocity clause in the Second Banking Directive did much to encourage fears of "Fortress Europe" in both the United States and Japan. Reciprocity is, after all, a vague concept which can readily be twisted into a big protectionist stick. So much the better, then, that the Commission has decided to narrow the scope of the reciprocity provisions of the directive along the lines recently foreshadowed by Sir Leon Brittan, the new Commissioner for competition and financial institutions.

The fear of the Americans in particular has been that the European Community would seek to deny access to banks from countries that failed to offer equivalent access and opportunities in their own home market - an approach known as equivalent treatment or mirror-image reciprocity. Since Europe has a universal banking tradition while the US and Japan still impose a legal dividing line between banking and securities operations, this would have been a recipe for friction. The Americans and Japanese could hardly be expected to adapt their own domestic systems to suit the demands of foreign governments; and the US has argued strongly for an approach based on national treatment, whereby foreign firms are granted the same competitive opportunities as domestic firms.

Bargaining lever

Under the new dispensation the Commission will continue to seek to use equivalent access as a bargaining lever. But a banking licence might be refused where Community banks are denied the same treatment and competitive opportunities as domestic banks in foreign markets. This move towards national treatment is consistent with the thrust of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and of US policy. But it is unlikely to reassure the Japanese, who rightly suspect that they are the real target of the Commission's efforts.

In practice, the impact may not be draconian initially,

because most of the leading Japanese banks with international aspirations are already authorised in the Community. So-called "grandfathering" provisions exist to protect firms already authorised from being obliged to go through a second round of vetting under a different set of rules.

That said, national treatment is almost as vague a concept as reciprocity itself. How do you measure relative degrees of market access when the structure of European and Japanese financial markets is so different? The meaning of national treatment will, in practice, have to be worked out within the agreement on services to be negotiated in the Uruguay Round.

Practical politics

At present, both Britain and the US have moved increasingly towards a form of managed trade in financial services. Under the threat of reciprocity the Japanese have made concessions in various profitable corners of their financial markets in exchange for a much larger presence in banking and securities in the US and Europe. Even those who regard that situation as unduly favourable to the Japanese would presumably accept that it constitutes practical politics when Japan is providing substantial financing for the US trade deficit. And as far as Britain is concerned, the City of London's competitive advantage in international finance would clearly be eroded if banks from the world's biggest creditor country were not amply represented in the Square Mile.

An ironic feature of the present situation is that US and European pressure for liberalisation in the Japanese financial system is eroding the benefit to US and European firms of access to hitherto protected niches of the Japanese market. In fact the foreign share of Japanese bank profits has been falling because of the disappearance of products that depended on capital controls and other financial regulations. The Japanese background a more flexible approach in the Commission's exercise of reciprocity should be seen as the lesser of two evils and no less welcome for that.

The UK's role in electronics

THE UK has done well in attracting inward investment from the world's leading electronics companies; the semiconductor plant planned by Fujitsu of Japan for the north east of England is the latest example. The UK's record is much less good in fostering new, home-grown electronics companies capable of competing in world markets.

In Scotland, for example, it had been thought that the concentration of electronics plants, many of them foreign-owned, would create a cluster of expertise of the sort which has proved so productive in encouraging new entrepreneurs in California's Silicon Valley. But hopes that Silicon Glen would develop a similar "critical mass" in electronics have been dealt a setback by the deepening troubles of Rodime, once a showpiece of local entrepreneurship.

Set up in 1980, Rodime made its name by designing innovative Winchester disk drives for the nascent personal computer industry. In its early pioneering phase, Rodime may have benefited from its location in Glenrothes, close to a plentiful supply of high-quality engineers. Its engineering excellence allowed it to become the main supplier of drives to Apple, the US computer manufacturer. However, as the industry matured and competition grew, Silicon Glen became more of a handicap than a blessing. None of the major customers for disk drives is based in the UK and few are located elsewhere in Europe. The successful suppliers of disk drives had intimate relationships with the personal computer makers. They were therefore able to spot trends and develop new products to dovetail with the computer makers' plans.

Disadvantages

Rodime suffered from other disadvantages. While most other disk drive makers were shifting manufacturing to factories in Singapore, Rodime was stuck with Scotland's higher labour costs. In 1983 the company began to move manufacturing, marketing and later management to Florida, close to IBM's personal computer headquarters. The company also started building a Singa-

pore plant in 1986. The damage, however, had already been done. Rodime lost Apple as a customer and had to scrap its older products at the cost of millions of pounds.

Disk drive manufacturing is, of course, an unusually cut-throat business, and there has been a heavy casualty rate even among US suppliers. For that reason, it would be wrong to read into Rodime's problems too many gloomy conclusions about Britain's chances of creating successful start-up companies in high-technology. However, the story does point to other lessons.

Misconceived

One is that visions of Silicon Glen as a particularly fertile breeding-ground for such companies probably misconceived. The region has been unusually successful in attracting investments by many international electronics companies, partly because of generous subsidies and partly because of a good supply of skilled labour. However, most of these investments are in branch plants, which make products designed elsewhere. They therefore offer little opportunity for the aspiring local entrepreneur to get involved at an early stage of new product development. Equally important, Silicon Glen lacks the intense concentration of university and government research establishments which played a vital role in the early development of American high-technology centres such as Silicon Valley and Boston's Route 128.

Foreign-owned companies which have large electronics plants in the UK, such as IBM and increasingly the Japanese, are building up a network of suppliers some of whom may be able to use these relationships as the basis for creating world-scale businesses. But the design innovators like Rodime aspire to more than a subcontractor's role. The main lesson of the Rodime story is not that young high-technology companies cannot succeed in the UK, but that, if they are to do so, they need to aim for the world market from day one; their prosperity depends on staying in close touch with their customers - wherever they may be.

David Marsh looks at yesterday's cabinet reshuffle in West Germany

Chancellor Helmut Kohl's cabinet reshuffle yesterday exposed both the strengths and the weaknesses of West Germany's open system of parliamentary democracy. Bonn is a political capital where news and rumour flow freely. It is also a place where government authority is very difficult to sustain once it starts to slide.

After enduring a seemingly endless four weeks of quarrelling and speculation over new figures in his centre-right coalition, Mr Kohl strode before 850 journalists at a midday press conference and announced a set of cabinet changes which had already been extensively leaked in TV news bulletins the previous evening.

The reshuffle may have lacked surprise, but it adds up to a milestone in his 6½-year Chancellorship. It is also a gamble. If the move fails to boost the flagging fortunes of his Christian Democrat (CDU)-led Government, Mr Kohl may find, within the next few months, that adversarial voices within the CDU grow progressively louder - and the search for a new Chancellor will start in earnest.

Yesterday, Mr Kohl was trying, as ever, to put on a brave face. He claimed the juggling exercise was one of the most important in the Federal Republic's 40-year history. But the opposition Social Democratic Party (SPD) - mainly because of the Government's own mistakes - is riding high in the opinion polls. And within his own party, the enemies whom Mr Kohl has made during his 16 years as chairman are starting to talk more boldly of a bid to unseat him.

In changing three of his four most senior ministers, bringing an extra woman into the cabinet and rearranging the job of government spokesman, Mr Kohl aims to do more than simply gain a breathing space after a string of regional election setbacks. With the finance, defence and interior portfolios changing hands, the only top minister to keep his place is Mr Hans-Dietrich Genscher, the Free Democrat (FDP) Foreign Minister, whose job is still seen as unshakable.

The Chancellor hopes that the reshuffle - together with an important policy statement to the Bundestag billed for April 27 - will revive his personal standing and carry the coalition through to the next general election in December 1990. He also wants to deliver an image of greater decisiveness to the outside world. His coalition has managed to push through a series of important economic and social measures over the past two years in areas like tax, pensions and health care. But wrangling between the CDU and the two other government partners, the Bavarian conservative Christian Social Union (CSU), and the liberal FDP, has undermined Government cohesion.

Mr Kohl's trump card, as he underlined yesterday, is the strong performance of the economy. Companies throughout the Federal Republic report full order books and strong profits. The Government's forecast that economic growth in 1989 will be above its cautious forecast of 2.5 per cent after the better than expected 3.4 per cent last year.

Economic performance, even more than in other European countries, traditionally decides elections in West Germany. Mr Kohl's chances of hanging on to power in December 1990 depend on a steady continuation of the world economic upswing.

However, the Chancellor sees present challenges coming from a different direction. Partly because West Germany is a prosperous and materially-sated society, the Government is under fire over social and strategic questions which have little to do with the economy - and where the search for solutions is increasingly complex. It is, for instance, racking its brains



Mr Theo Waigel (left) and Chancellor Helmut Kohl: striking a path to greater Government cohesion

Companions for the march to 1990

Over how to respond to 42 jailed terrorists from the Red Army Faction (RAF) who are on hunger strike to try to force the authorities to group them together as political prisoners. On Wednesday sympathisers launched a Molotov cocktail attack on the Frankfurt stock exchange and also bombed an industrial building in Minsler. Different federal states and different elements of the Bonn coalition favour different ways of dealing with the hunger-strikers and Mr Kohl made it clear yesterday that it was a near-impossible task.

On some prime international issues, Mr Kohl badly needs to present a united coalition in meetings in the next two weeks with President François Mitterrand of France and Mrs Margaret Thatcher, the British Prime Minister. These talks, centering on East-West relations and the development of the European Community, are part of the run-up to the Nato summit meeting in May, where Bonn will come under renewed pressure from London and Washington to take a tough line over arms control with the Warsaw Pact.

At least the Chancellor now has a new "strong man" in his line-up - the entry as Finance Minister of Mr Theo Waigel, the chairman of the CSU. Mr Waigel, successor as CSU leader to Mr Franz Josef Strauss, who died last October, is very much an unknown quantity to financial markets. He will give the cabinet a more conservative look at the time when the Government is making an effort to capture votes lost over the past 12 months to extremist right-wing parties such as the Republicans.

Mr Gerhard Stoltenberg, Finance Minister for 6½ years, will take over a particularly thankless post at the Defence Ministry, Mr Rupert Scholz,

the hapless constitutional lawyer brought in as Defence Minister in May last year, has been unceremoniously removed. He goes down in the record books as the shortest-serving of the Federal Republic's nine Defence Ministers.

Mr Scholz took news of his removal badly. The Berlin professor has become unpopular because of general opposition to Nato low-flying exercises, defence spending and military service. He seems to have become victim of a growing streak of pacifism running through West German politics, heavily fanned by the SPD and the Greens ecology party.

Mr Kohl was disappointed that Mr Scholz decided to court unpopularity from three different sources at once - the media, parliament and his own generals. "You cannot fight a war on three fronts," said one official yesterday. Another aide close to Mr Kohl however said yesterday that Mr Scholz was shunted aside because he suffered from a mixture of "political naivete and arrogance."

Mr Wolfgang Schäuble, who served as Mr Kohl's right-hand man as Chancellor's Minister, will take over another taxing job as Interior Minister. In particular, the Interior Ministry has to cope with the influx of immigrants from the Third World and Eastern Europe whose presence has boosted the electoral showing of the xenophobic ultra-Right. Mr Schäuble, one of the most intelligent and able of Mr Kohl's circle of advisers, replaces Mr Friedrich Zimmermann, from the CSU - said to have shown insufficient interest in his job recently. During the period early this month of maximum reshuffle fever, Mr Zimmermann distinguished himself by being absent hunting big game in Namibia.

Mr Kohl has also upgraded the job of government spokesman. The present incumbent, Mr Friedhelm Ost, a loyal but uncharismatic propagator of Mr Kohl's policies, will make way for Mr Hans Klein, a former journalist who until now has been Bonn's Development Minister. Mr Klein will retain ministerial rank and sit in the cabinet.

This appointment is itself a minor landmark. Because of memories of Joseph Goebbels' Propaganda Ministry during the Third Reich, successive Bonn governments in the past have avoided creating a post of Information Minister. Mr Klein is also from Mr Waigel's CSU. This will add conservative punch to presentation of the Government line. But it will not be to the liking of the Free Democrats.

One of Mr Kohl's dilemmas is that if he strengthens his Government on the Right, he increases the chance that elements in the FDP will start talking about a possible coalition with the Social Democrats in 1991.

Advancing Mr Waigel to ministerial rank will bind the CSU more closely to Government decisions. Mr Kohl has struck up a close personal relationship with Mr Waigel and values him as a political partner. Mr Strauss, by contrast, played a maverick role in disrupting Government decision-making by deciding to remain in Munich as Bavarian Prime Minister rather than joining the cabinet as Defence or Finance Minister in 1987.

But Mr Waigel will also complicate matters. He will have greater power to lobby for specific Bavarian policies. To take one important example, Mr Kohl announced yesterday that, with the French Government, Bonn will study plans to step up co-operation in reprocessing spent nuclear fuel at the French nuclear treatment plant at La-

Hague in Normandy. Mr Kohl will have initial discussions on this with Mr Mitterrand in Paris next week.

Such a plan would involve abandoning, or at least drastically modifying, the politically controversial venture to build West Germany's own commercial reprocessing plant at Wackersdorf in eastern Bavaria - a project dear to the hearts of the CSU.

The CSU has also spoken out against the Government's 10 per cent withholding tax on savings and investments, brought in to help finance Mr Straussberg's cuts in income tax, taking effect next year. The withholding tax, blamed for driving capital abroad and weakening the D-Mark, looks likely to be modified, but not abandoned altogether, under plans to be discussed by Mr Waigel and his new Finance Ministry team. Meanwhile, the SPD has been enjoying signs of disarray. Mr Hans-Jochen Vogel, the SPD chairman, has basked in unusual media attention on separate trips to Washington and Moscow this month to see Presidents George Bush and Mikhail Gorbachev.

Neither the CDU nor the SPD can take comfort from signs of fragmentation in West German voting, greatly increasing the pull of fringe parties. But the pressure is clearly on Mr Kohl rather than the SPD.

The next test comes in only 10 weeks' time, in the European Parliament elections. The far-Right is mounting a country-wide campaign and hopes to improve further on its results in the Berlin and Frankfurt elections earlier this year. If yesterday's moves fail to stop the rot and the Christian Democrats again do badly, the Chancellor will take the blame.

Mr Kohl has great self-confidence and appears to relish a struggle. But he has none of the personal appeal and authority which marked previous Chancellors, such as Konrad Adenauer, Willy Brandt and Helmut Schmidt.

The main weakness of yesterday's reshuffle is that it left Mr Kohl's two main rivals - Mr Lothar Späth, the Prime Minister of Baden-Wuerttemberg, and Mr Heiner Geissler, the party's general secretary - outside the cabinet. Arch Kohl opponents such as Mr Kurt Biedenkopf, the former CDU general secretary, are also waiting in the wings.

Mr Geissler, a previous close confidant of Mr Kohl who now wants to take the party further towards the Left than the Chancellor would like, flatly turned down Mr Kohl's invitation to join the cabinet as Interior Minister. Mr Geissler has built up a strong party apparatus. He could be relied upon to help Mr Späth - the only top CDU politician to have emerged unscathed by election losses in the past two years - if the Baden-Wuerttemberg leader decided to make a bid for power within the Christian Democrats later this year.

Although the Chancellor claims he does not follow opinion polls, his image has not been improved by a survey at the end of last month indicating that 64 per cent of the electorate wanted him to stand down. Nearly half of those polled said they favoured his displacement by Mr Späth, who has built his popularity on canny economic management in his prosperous state - as well as his avoidance so far of ministerial responsibility in Bonn.

For the moment, the Chancellor is battling on. He brushes aside with contempt any question of a threat from Mr Späth or anyone else. However, beneath the tan hightop in the Chancellor's Easter holiday in Austria, the tension clearly showed in his face at yesterday's press conference. A normally buoyant Kohl went so far as to admit: "If the Chancellor thought things were so wonderful, he wouldn't have changed everyone."

Too much of a good thing

All is not well in the bosom of Swiss banking. The past weeks have seen a succession of demotions and running street battles in Zurich between disaffected young Zuerchers and baton-wielding police.

Bewildered bankers strolling in Pfaltzplatz, the pretty park at the junction of the Limmat and the river, have seen their become one of Europe's junky ghettos, have been caught in the crossfire of rubber bullets and bottles.

Such un-Swiss happenings hardly fit the conventional picture of Zurich as one of Europe's most peaceful and peaceful cities. So what is going on?

Like so much else in Switzerland, the answer is not obvious. The triple height of unemployment, petty and racial tension which disfigures so many other European cities is absent in Zurich.

Unemployment is virtually non-existent. Last year's jobless rate in canton Zurich was 0.4 per cent - below even the negligible national average. Zurich is the European city with the highest personal purchasing power.

There appear to be two explanations for the troubles. The first is the soaring price of housing. As Switzerland's biggest city, Zurich has long acted as a magnet for the rest of the country. Its importance as a commercial centre has also meant that more and more town property has been converted to business premises.

This, together with the fact that housing construction in Zurich was last year at a 53-year low, has sent prices spiralling. Land prices have tripled over the past decade, rising more than fivefold in some districts to well above the 1987 average of more than £110 per sq ft.

Rents are exorbitant even for the highly-paid Swiss. If

OBSERVER

zits can be found at all. The second reason is one of disaffected youth, not by having too little but too much. Caught in the affluence trap they seem to feel there is too little to fight against.

The country is run by an entrenched "grand coalition" of the biggest parties with virtually no real parliamentary opposition. And although most Swiss - and this includes the vast majority of the young - are happy enough with their lot, the frustrations of living in a clockwork state for a vocal minority is apparently too much to bear. So they resort to "action", poor things.

Down Under up

Bollinger champagne, one of the last bastions of French protectionism, has acknowledged that it is, after all, just an amber nectar.

The Champagne house yesterday gave an after-dinner fillip to wine expertise Down Under by awarding its first and coveted Madame Bollinger Medal for excellence in wine tasting to an Australian.

Michael Hill Smith, a Master of Wine and author of such classics as "The Great Australian Wine Book", carried off the prize. Christian Elzot, president of Bollinger, told the Sydney-born winner: "Considering all the wine knowledge and expertise being accumulated in Australia, the world will soon turn around and you in Australia will be able to look down on our part of the world, which will then become Down Under."

Peking daily

David Rothkof and his team will travel from their New York headquarters to Peking next week to make a small piece of publishing history. Rothkof will be producing,



"I got done for contempt of court"

with the cooperation of the Chinese authorities, a daily newspaper for delegates to the Asian Development Bank's annual meeting.

Ten thousand copies of the daily will roll off the presses on each of the four days of the ADB meeting and then be whisked by special vans to hotels, embassies and offices around the capital so that delegates and other interested parties can read all about it over breakfast.

Rothkof's travelling newspaper show in Peking follows similar and apparently successful efforts at the later-American Development Bank meeting in Amsterdam two weeks ago and the IMF/World Bank meeting in Berlin last September.

The newspapers, which contain a mixture of news about each meeting and relevant world events, will be edited on desk-top Apple computers and printed on the presses of the People's Daily, the Chinese Communist party newspaper.

"This is easily the most complicated project we've been involved in", Rothkof said yesterday. "We've had long discus-

Foul car

Paul Smith of Erskine Office Systems has come up with the gustatory idea of The Parliament Car for employees who treat their company vehicles badly.

The torture works like this: every month one offender in his Hertfordshire-based Advance Systems Group is forced to swap his/her company car for a white Lada estate which costs the princely sum of £3,500 and stalls in the fast lane of the M3 motorway at 70 mph. No offences intended to Lada, he insists.

The first unlucky winner, a senior salesman, handed in his nifty Renault 21 TS last Friday and drove off cheered and clapped by the entire company. Smith reckons it will take him 18 months to reform the 200 company car drivers in his group and bring their repair and insurance bills under control.

Meanwhile Smith might consider swapping his BMW 520 for an armoured car.

Alain Cass

Significant Moments

OMEGA

OMEGA CONSTELLATION, THE WATCH SOLD AT LEADING JEWELLERS AROUND THE WORLD.

POLITICS TODAY

An act that the critics can't spoil

By Joe Rogaly

At the end of the first quarter of 1989 the British Government is not quite so cocksure as it was at the end of 1988.

For most of last year most of the Cabinet was insufferably self-confident. Parliament would do anything they asked. The Conservatives would certainly win the next election, and probably the one after that. A new era had arrived. Now, Whitehall's ministers are trying to recapture those heady days by telling themselves that the current upsurge in inflation will recede. It may go a little higher than first thought, they say into their shaving mirrors, and it may take a little longer to get down than the Chancellor, Mr Nigel Lawson, was predicting in his Budget a few weeks ago, but worry not. We've done it before. We'll do it again. The retail price index is safe in our hands.

My guess is that they will continue to comfort themselves with this refrain, whatever the latest RPI figure turns out to be this morning.

The balance of payments deficit? Well, yes, it is a little troublesome but it is a temporary embarrassment. Growth will slow, the consumer boom will abate, and the deficit will fall. The prospect of a hard landing, a sharp recession? No, the slowdown will never go that far. The unspent fiscal surplus it may be setting even bigger in the first half of this year, but profitability is sure to fall in the second half. Corporation tax will come in at a slower rate, and the surplus will become smaller. I have heard only one indirectly contrary opinion, which is that the Government's policy of buying back gilts must be inflationary because it leaves the sellers with cash in their hands.

This whistling in the dark is keeping ministers' spirits up. They are well aware that a serious and prolonged economic downturn could achieve the seemingly impossible and lose them the next election - but either they truly believe that the outlook will improve well before voting day, or they are very good actors. Of course it depends upon where the speaker sits. The Laurence Olivier and Dustin Hoffmans are all in the Theatre.

Mr Lawson himself deserves an Oscar. He never deviates from his script, and he always delivers it with full force. Yet he is no longer absolutely secure in his role. A big change has come over his image during the past quarter. Around Christmas the sort of thing you would hear was that he had to step out as Chancellor in order to ride out the elephantine blip in inflation caused by his 1988 Budget. Confidence would be shattered if the Prime Minister moved him. Now, it seems, the belief among some ministers is that confidence would not be all that shattered if he were to be eased out of No 11 Downing Street. (This is also raining fire in the City. As to Tony Blair, a not untypical quote of the week is: "Of course the figures will look worse in July, when she is deciding on this year's reshuffle." Her eye might then fall upon Nigel. "I have no idea whether the

Prime Minister is thinking this way. All I can tell you is that, justified or not, there is a burgeoning sense that there may be something really amiss. This is doing no good whatsoever to Mr Lawson's reputation.

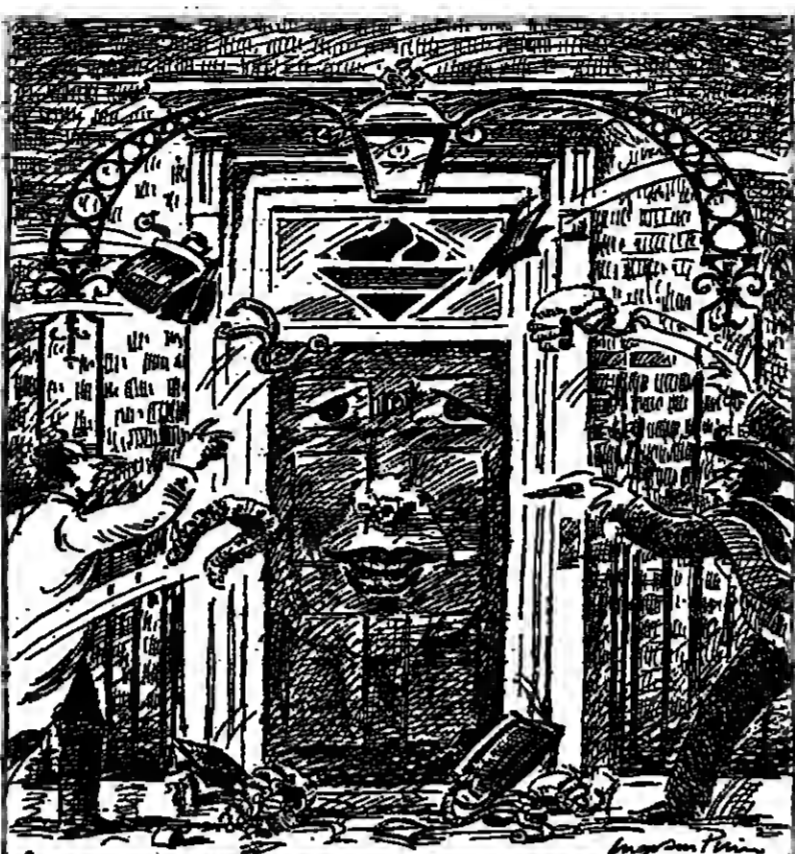
There is as yet no serious knock-on effect on backbench confidence in the Government as a whole. The series of show business spectacles staged by the Prime Minister is particularly effective among her own followers, who are not by nature prone to questioning whether much has actually been done about the inner cities, the greenhouse effect, keeping Britain tidy, southern Africa, Anglo-Soviet relations or any of the other tuxes in her continual cabaret. These are people who affect to believe that water privatisation is a good idea (winking while they say it), so perhaps they will persuade themselves to believe anything.

Well then, how about the doctors, the dockers, the lawyers. You are talking them all on, all at once. Is this politically wise?

Frankly, no, says almost everyone. The doctors have been particularly clumsily handled. It was a huge error to allow their pay negotiations to get mixed up with the restructuring proposals in the white paper. An attempt is, however, being made to do something about that. There are contacts behind the scenes. The pay negotiations are not permanently stalled, although it may be a while before a fresh formula is found. But never fear. The British Medical Association is not unbuyable. A negotiated settlement of the doctors' contract will sooner or later be achieved, alternatively the contract will have to be imposed in much its present form.

If the optimists who expect a negotiation followed by a deal are proved right, it will then be possible for Kenneth Clarke, the Secretary of State for Health, to begin the long slow process of making sufficient compromises on the restructuring to dig himself out of the political hole into which he and his colleagues dug themselves in the first place.

They have the Prime Minister's public blessing for this. The detailed consultation papers, Mrs Margaret Thatcher told the House of Commons in answer to a question on Tuesday were, of course, for consultation. "They are not meant to be a specific blueprint and we will, of course, con-



sider representations." Coming from her, that could reasonably be taken by the doctors to mean that the Department of Health will do any reasonable deal it can to save the semblance of its white paper proposals for self-government for National Health Service hospitals and voluntary practice budgets for GPs.

The dockers are regarded as more of a bonus than a threat. Mr Ron Todd of the Transport and General Workers Union has given the game away. If a strike is called over the Government's proposed legislation to abolish the Dock Labour Scheme the TGWU could fall foul of the law. It may yet do that and incur heavy fines and then lose the strike; alternatively it may try to negotiate a fresh contract with the employers and perhaps strike over that. It would still lose. The Conservatives are ready for a

fight, but have little doubt that they can win.

The lawyers are another story. The Government is clearly a bit shaken by the drubbing it received from senior members of the judiciary in the House of Lords last week, but it is consoling itself with the view that among the non-judges who spoke, the division of opinion was marginally in favour of Lord Maccarty's proposals for the reform of the profession. The judges themselves have made the worst of their case by threatening to go on unofficial strike next Monday, just as if they were 1970s miners or dockers.

Happily they backed down yesterday, so there is now room for compromise, since the reforms have been proposed in a "green" paper, which is supposed to mean "for discussion".

The remaining item in a proper end-of-quarter report has to be Mr

Peter Walker. The Secretary of State for Wales is a canny fellow. He makes no secret of his view that the state has a role to play in regional and industrial policy. His formula, applied with cheeky panache in Wales, is free enterprise strongly backed by Government. The same formula has had some small success in Japan, France and Germany. It is, however, directly contrary to the laissez-faire spirit of free-market Thatcherism - although, as to the latter, Mr Walker can defend every line of the celebrated lecture he gave on Monday. It is all current Government policy he will protest, his expression innocent.

The week's gossip has all been about whether Mrs Thatcher can tolerate such insubordination any longer. There is no reason why she shouldn't. Mr Walker's long Cabinet experience has enabled him to build up a store of wisdom that can be useful, especially in moments of crisis. He is a powerful defender of Government policy, especially when he chooses to be. If the Prime Minister does decide to dispose of his services he can afford to sit on the backbenches for a year or two while non-Walkers' conservatism proves either successful or a total failure.

What it all adds up to is a series of little local difficulties, not the beginning of the end. That, at least, is the current self-comforting view. It is given enormous strength by the total inability of any serious Conservative to believe that Mr Neil Kinnock is capable of leading the Labour Party to victory in almost any circumstances. They can hardly believe their own forecasts of a Labour victory in the forthcoming by-election in the Vale of Glamorgan.

In short, the era of complacency continues. One of its consequences is that it is seemingly impossible to get the Prime Minister, or her Chancellor, to listen to arguments about those of the very poor who have become casualties of the refocusing of state aid on the extremely poor. This myopia was once again in evidence on Tuesday when the Labour MP for Glasgow Cathcart, Mr John Maxton, asked the Prime Minister to justify the case of his 79-year-old, blind constituent, Mr William Bradley, whose income from the state on 1 April 1988 was £55.55 per week. Did she think it fair "what on 1 April 1989 it was £52.55 and that on 1 April 1990 and 1 April 1991 it will be £52.55"?

Mrs Thatcher responded by recalling the transitional protection in the period of introduction of the new social security system, which had the effect that "when the whole system was simplified and improved, and a lot more money was spent on it, people were protected from being a reduction in their cash." She concluded:

"The Hon. Gentleman takes a particular case in which there will be a real increase. May I, therefore, take credit for the fact that 98 per cent of all pensioners will receive a cash increase with the coming uprating?" Mr Maxton's constituent is no doubt more anxious about the upsurge in inflation than anyone else, the Prime Minister included.

LOMBARD

A charter for casual labour

By Charles Leadbeater

BRITAIN'S national dock labour scheme is attacked as an anachronism, but the issues raised by its abolition have a central relevance to the modern labour market.

The problem it was designed to overcome - the insecurity and inefficiency of casual employment - is far more widespread than when the scheme was introduced in 1947. The relevance of the scheme to the docks may have diminished. Port employers have pledged that there will be no return to the labour auctions which used to take place every morning at dockside offices as dockers queued to pick up a day's work. They are unlikely to want to hire dockers on a daily basis to drive cranes worth more than £100,000 each, which used to take place every morning at dockside offices as dockers queued to pick up a day's work. They are unlikely to want to hire dockers on a daily basis to drive cranes worth more than £100,000 each, which used to take place every morning at dockside offices as dockers queued to pick up a day's work.

But elsewhere in the economy, less obvious auctions of casual, temporary, freelance and short-term contract labour have become commonplace. At central London job centres, unemployed people often queue overnight for the chance of picking up a day's washing-up in a hotel kitchen.

Each night in the City of London the buses fill with middle-aged black women, the contract cleaning labour force returning home after a couple of hours work. Building developments swarm with self-employed building workers on contracts lasting a few weeks. The casual labour force, mainly women, often black, abounds among security guards, fast food servers and petrol pump attendants.

These are the modern equivalents of the 1930s dockers. They face continual uncertainty over where and how they will be employed, and how much they will be paid. Those who provide the economy with most labour flexibility, by constantly moving in and out of short periods of employment, have not been rewarded with much security. There is a pressing need for some form of contract cleaner or hotel "washer-up" labour scheme.

With the decline in the number of young people entering the job market, employers will increasingly have to recruit women who return to employment after bringing up children, or older workers. If

employers are to tap these alternative sources of labour in a competitive recruitment market, they will have to offer both flexible working patterns and security of employment.

Already some large service sector employers are guaranteeing jobs to women who take career breaks to have children. Temporary staff recruitment agencies have for some time been competing to attract skilled temporary secretaries by offering them all the trappings of a full-time employee with entitlements to a pension, sick pay and annual paid holidays. Some electronics companies have set up registers to ensure they establish a relationship with a pool of short-term contract staff.

The national dock labour scheme's register of dockers helps to maintain minimum levels of skills and training. Such a scheme could be of some use in the construction industry. Many large employers are concerned that the increase in self-employment and short-term contracts has led to a serious decline in training standards. Small contractors have neither the time nor the resources for training available to large companies.

Some big construction employers have suggested that registers of qualified building workers should be introduced, to ensure high standards of competence. Without such a scheme, the long-term competitiveness of the industry may suffer. The same problem is about to confront the television industry. TV employers are concerned that training standards, which have been maintained by the BBC and the large ITV companies, may fall by the wayside as small sub-contractors, which employ staff on rolling short-term contracts, grow.

The Government and the Transport and General Workers Union claim to be concerned to avoid a return to casual employment for 9,400 dockers. Both should be much more concerned about the blatant insecurity of the millions of workers in the new peripheral labour force - the contract cleaners, the hotel kitchen staff, the security guards and self-employed builders.

LETTERS

Company singsong

From Mr John Crump.
Sir, Clive Wolman's Long View ("Shareholders' Long View" Weekend FT, April 9) points to a key difference between British-style and Japanese-style capitalism.

Private shareholders figure only marginally in the calculations of big Japanese companies. Whenever the defenders of what Clive Wolman calls "British managerial capitalism" use Japan to bolster their arguments, they scrupulously avoid mentioning those Japanese practices which do not fit their ideological model - the low status accorded to shareholders, the low interest rates, and so forth.

However, having made a valid point, Clive Wolman then goes off the rails by ignoring those features of Japanese-style capitalism which do not fit his ideological model.

The idea that Toyota oper-

ates in the interest of its work force is difficult to square with Satoshi Kamata's account, in Japan in the Fassing Lane, of the situation of the minority workforce on the permanent payrolls of the giant companies such as Toyota and Nissan are not typical of Japanese industry anyway.

Clive Wolman's "Japanese practices", such as life-time employment, the seniority wage system and single company unions, simply do not exist for most Japanese. He is describing conditions experienced by, at most, 30 per cent of Japan's workforce. In percentage terms the conditions of the other 70 per cent - with no guarantee of life-time employment, not in trade unions, desirous welfare benefits and so on - are far more representative of "Japanese practices".

Locked into his ideological model, Mr Wolman finds it

"not easy to pinpoint what has created such strong employee identification and motivation." There is no reason to doubt the veridical loyalty of the minority workforce on the permanent payrolls of the giant companies depends on the deprived condition of the majority elsewhere.

Any worker who thinks twice about singing the company song knows that there are many more willing to step into his shoes.

The low levels of state welfare benefits mean that the 70 per cent of employees not covered by the type of company welfare schemes that Toyota or Nissan can provide for the privileged sections of their workforces would give their eye teeth to change places. Who wouldn't sing the company song in such circumstances?

John Crump,
University of York,
Heslington, York.

From a view to a check

From Mr G.J. Forster.
Sir, I note from your article (April 11) on the UK clearing banks' refusal to raise the £50 limit on cheque guarantees cards, that they do not believe there is any great dissatisfaction with the £50 limit.

No doubt this is because they have not asked their customers the question, and would prefer not to - so as to ensure that consumers use credit cards, which produce a much greater profit for the banks. I hope the Office of Fair Trading is paying close attention to this.

G.J. Forster,
Vista Cottage,
Langdon Road,
Furnham, Surrey

Shadow directors

From Mr Barry Donnelly and Mr Martin Piers.
Sir, Our article "The shadow role of a shadow director" (March 2) prompted a number of letters, including one from Paul Oughton, who acts on behalf of the liquidator of MC Bacon Limited, who is bringing the action (to which we referred) against the bank as a shadow director.

Mr Oughton informs us that in fact the bank has neither appealed the decision nor indicated any intention to do so. As the bank's application to strike out was unsuccessful after a full 94-day hearing, the conclusion, as matters stand, must be that there is a definite possibility of a bank being held to be a shadow director, contrary to the commonly held view prior to this case.

Barry Donnelly,
Martin Piers,
Gouldens,
22 Tudor street, EC4

Purpose of pension fund investments

From Mr Graham Hoar.
The FT refers (April 13) to the possibility that if Toyota chooses Derby for its new car plant, the pension fund would invest substantially - £20m - in the company's shares.

While this may well prove to be an investment surpassing even Old Master paintings in its growth, and while no doubt the country of Derbyshire will benefit by Toyota's presence, I am concerned about the propriety of pension fund trustees reaching such a decision on the grounds of benefit to - in this instance - a region, as

opposed to benefit to their primary duty to the members. The situation seems very similar to that which gave rise to the case of *Cowan v Scarpell* (1984).

In that case the National Union of Mineworkers (NUM) tried to restrict investments by the National Coal Board's pension fund, because it was the union's policy that the scheme's fund be invested in Britain rather than abroad, and not be invested in energy industries competing with coal.

It was held that the NUM trustees were in breach of their

fiduciary duties as trustees to do the best they could for the beneficiaries - that is, the members - in relation to the investment plan proposed, unless the NUM investment restrictions were adopted.

In his judgment Sir Robert Megarry said: "Powers must be exercised fairly and honestly for the purposes for which they are given, and not so as to accomplish any ulterior purpose, whether for the benefit of the trustees or otherwise."

Graham Hoar,
First Floor, Bouverie House,
154 Fleet Street, EC4

The hunting of the Index . . .

From Mr R.F. Davies.
Sir, Mr C.T. Ross (Letters, April 1) paints rather a gloomy, somewhat inaccurate picture of stock market indices and the quoted performance of unit and investment trusts.

According to standard reference, the "original" FT Industrial Ordinary (30 share) index is "an unweighted geometric mean" of the price-relatives of the individual constituents - that is, the 30 such values are multiplied together, and the 30th root taken of the product.

However, the FT-Accruals Shares Index (the All-Share, in particular) is derived from the weighted arithmetic mean

of the price-relatives and, in the usual circumstances of the price-relatives having differing values, computation of an index based on arithmetic means will always "beat" the geometric index.

The arithmetic mean is certainly more closely related to an investment portfolio where the Tinal appreciated share prices are of paramount importance to investors, but selection of a few constituents from the total comprising the index will determine whether the over- or under- "tracks" the All-Share performance.

Looking through several annual reports of investment

trusts and equities of my portfolio, I find that graphs and other statistics use the all-share index by way of comparison with the performance of the business. The adoption of a "mathematical trick" does not generally seem to be in evidence, although some concerns may come close to the wind of truth.

If the public is being taken in by the questionable presentation of statistics, it may be in the use of linear graphs for the dependent variable with the origin placed far above zero.

This apparent distortion and amplification of variations over a particular period is most mis-

leading; much better is a logarithmic scale on which a percentage scale can be added, if required.

This is often the case with graphs showing the performance of the FT All-Share index over the past 20 years or so, from which a true representation of the 1974-1975 crash can be compared with the less severe crash of 1987.

R.F. Davies,
131 Tey Down Meads,
Winchester, Hampshire.

An article on investment performance statistics will be published in Weekend FT on Saturday April 15.

ALTHOUGH you may suspect your organization's vehicle fuel and maintenance overheads are too high, do you lack the time for an on-site attack on the problem? This is a close look at Dialcard. Besides giving you the answer in the form of an accurate control and monitoring system, Dialcard makes significant savings by reducing paperwork and administration. Every month Dialcard provides a series of unique and comprehensive management information reports which review over 50 key aspects of day-to-day running costs and vehicle operation. Dialcard reports analyse fuel and maintenance expenditure, track mileages, highlight anomalies and give a check on vehicles due for servicing. For good measure, they also give cost-per-mile and MPG figures in a way that compares the performance of individual vehicles with others of the same type. See what you've been missing. For a sample set of reports, contact Dialcard Limited, 2 Sunston Road, Upper Richmond Road, London SW15 6SD. Telephone: 01-783 7331. Fax: 01-788 8548. Telex: 28165.

50 ways to control vehicle running costs

Management and administration

WELCOME at 16,000 garages and filling stations

PEARCE CONSTRUCTION logo and contact information.

FINANCIAL TIMES

Friday April 14 1989

CHARTER GROUP logo and phone number 01-355 1000.

Probe launched into alleged chemicals cartel

By David Buchan in Brussels and Peter Marsh in London

POSSIBLE market rigging by European producers of soda ash, a chemical widely used in the glassmaking and detergents industries, is being investigated by the European Commission.

The activities of six large chemicals companies - Solvay of Belgium, the UK's Imperial Chemical Industries, Rhone-Poulenc of France, Akzo of the Netherlands, and Henkel and Kalk, both of West Germany - are under scrutiny.

Kalk is 75 per cent owned by BASF, Europe's biggest chemicals group. The inquiry follows a recent heavy fine by the commission on a group of 23 European chemicals businesses for operating a cartel in plastics.

The inquiry also follows a suggestion by US soda ash producers that the European market should be opened to competition from the US.

Soda ash, of which an estimated 8m tonnes a year is used in Western Europe, sells at an average \$200 a tonne in Europe, or roughly twice the US price.

US producers have complained to commission officials that they are prevented from

Cool response to merger control plan

WEST Germany and the UK last night said the European Commission's latest attempt to resolve the deadlock over its merger control regulation was a step in the right direction - but still well short of their requirements. They insisted the Commission should increase dramatically the fine for breach of the rules. It is proposing as the combined turnover at which cross-border mergers would be forced to seek advance clearance from Brussels. Page 2

exporting to Europe by a heavy dumping duty.

This was imposed in 1983 and has lifted the price of US-imported soda ash to roughly the European level.

The Connecticut-based American Natural Soda Ash Corporation, owned jointly by US producers and representing their interests in export markets, has made representations to the commission.

The commission's president, said yesterday, "We have not made any allegations of a cartel among European producers. We have said that the structure of the market is less

competitive than it should be."

He said he thought the soda ash market in Europe was an "oligarchy" in which European producers sold on a regional basis without real competition.

Mr Andrews said his association's members, which include FMC, Kerr-McGee, General Chemical and Tenneco, would be able to sell up to 250,000 tonnes of soda ash a year in Europe, if dumping duties were removed.

Two other members of the US association are Stauffer and Texas Gulf, which are owned in both cases by French companies - Rhone-Poulenc and Elf Aquitaine.

US producers can sell soda ash relatively cheaply because their production costs are low. Natural deposits of the material exist in Wyoming and California, whereas European companies have to operate a complex manufacturing process involving the addition of ammonia and brine to limestone.

US production of soda ash stands at about 8m tonnes a year, of which roughly a quarter is exported.

Solvay, the world's biggest producer with an estimated output of 4m tonnes a year, said yesterday it had no comment to make because the com-

mission had made no formal allegations.

However, a Solvay spokesman said that in common with the other five companies, it had co-operated fully with Commission inspectors who, after spending two days at its Brussels headquarters, had left with a pile of photocopied documents "half a metre high".

ICI said: "We are co-operating fully with the European authorities." It would make a full reply at a later stage.

The commission recently fined 23 European chemical companies, including ICI and Solvay, a record total of Ecu 60m for attempting to carve up the market for polyvinyl chloride and low density polyethylene, two widely used plastics.

It has also recently won the support of the European Court in its attempts to compel companies to co-operate with inquiries into possible anti-competitive cartels, which are illegal under the Treaty of Rome.

The Committee for the European Glass Industry in Brussels said that it had joined the US soda ash producers in asking the Commission to lift the dumping duty on US soda ash products, or at least to ensure the duty was not renewed beyond its expiry date in November 1989.

According to some reports, the market appears to have been so arranged as to give Solvay market predominance in Belgium, Spain, Portugal and a part of Germany.

Under this arrangement, according to the reports, ICI has the UK and Ireland, Rhone-Poulenc the French market, Akzo the Dutch market and a part of Belgium, with Kalk and Henkel dividing the rest of the German market between them.

This would roughly correspond to where the companies have soda production facilities. Solvay's operations in Spain and Germany were also visited by EC inspectors this week.

The Committee for the European Glass Industry in Brussels said yesterday it had filed no cartel complaint with the European Commission.

It had, however, joined with the US soda ash producers in asking the Commission to lift the dumping duty on US soda ash products, or at least to ensure the duty was not renewed beyond its expiry date in November 1989. Imposed in 1983, the EC duty is Ecu 67 per tonne of US soda ash. The glass industry group said yesterday it had complained that this had made prohibitively expensive European purchase of the US raw material.

Withholding judgment on Mr Waigel

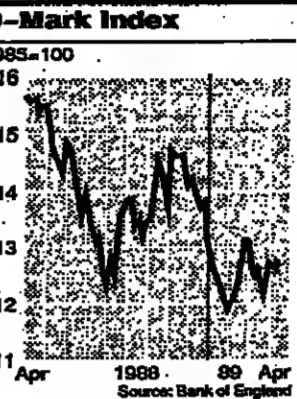
By Peter Marsh in London

Frankfurt may be short on pertinent facts about the new West German Finance Minister, but that is not stopping financiers confidently predicting that the new chap will run the economy in much the same way as the old. Mr Waigel inherits not only an economy in good shape, but a tax-cutting budget for next year already hammered out. All that remains is for him to find a way of paying for it.

Still, yesterday's rise in the D-Mark and in bonds, and the enormous stock market turnover, shows the markets were pretty excited about something. The vision of Kohl reinforcing his coalition was part of it, but the real reason was Kohl's suggestion that withholding tax might go. As the wretched tax contributed to a capital outflow last year of \$1.5 billion, the more difficult it will be for the TSB to convince the City that it is changing its spots. Its performance since the 1986 flotation has been a disgrace - its shares have underperformed by a third and after last month's profit warnings, there is little chance of it matching the earnings growth of the sector for another year at least. Despite yesterday's boardroom clear-out, the TSB has yet to give a convincing reason why it should sell at a premium to a well managed group like the Bank of Scotland.

Just as likely as a complete suspension of the tax is a compromise that would exclude private investors or would lower the rate slightly - both of which would simply complicate matters. Indeed, as the EC is threatening to make every-one charge an equal withholding tax, it seems silly for Germany to change the tax now only to change it further later. Of course, if Mr Waigel is as opposed to withholding tax as all that, perhaps he will join the UK and Luxembourg and urge 'Brussels to drop the whole thing.

Like the Faberge business, Beecham's falls into two roughly equal parts: consumer personal products, sold through chemists and chain stores, and up-market perfumes, run out of Germany, and sold on higher margin through specialist shops and department stores. With sales of some £370m and operating profits of £46m in the year to March 1989, it could attract



buyers as a valuable entry into the European personal products business; though Beecham, with plans to gear itself to the eyeballs for the purposes of merger, is not a relaxed seller either.

The merger itself still seems on course, if yesterday's further slip in the SmithKline price is a guide. It continues to look doubtful whether an aggressor could contemplate a full bid, especially given the goodwill involved. If there is trouble, it is more likely to come in the form of attempted greenmail from disgruntled acquirers.

Blue Circle

The sheer strength of profit growth from the big UK building materials producers is a highlight of the current crop of corporate results, and Blue Circle is no exception. UK cement volume rose 17 per cent last year, and Blue Circle, the market leader, even managed to increase its market share. With two price increases under its belt since last August, and further demand growth expected in the current year, the one third rise in Blue Circle's annual dividend underlines its confident mood.

Now that the benefits of the group's operational gearing have been largely exhausted, and cost pressures are beginning to build up, the group will be lucky to maintain its operating margins in the current year. However, a more pressing worry is the group's diversification strategy. It is looking increasingly likely that it bought Birmah Quakeast at the top of that company's earnings cycle, and the weaknesses of the group's overseas businesses are very apparent. Management problems in the US, a lack of a decent Continental European business and dependence on politically volatile areas like Mexico and Chile is not the sort of diversification which promises to cushion the inevitable decline in UK cement profits.

Insider dealing

There is a welcome finality about the Law Lords' ruling on the notorious term to "obtain" in the 1985 Act on insider dealing. Scarcely a week goes by without visible evidence of such dealing on the trading screens, but proving the offence has always been desperately difficult. At least it is now clear what the offence consists of: having inside information, solicited or not, and acting on it.

Soda ash stands out as the hard pressed poor relation

By Peter Marsh in London

THE INVESTIGATION by European Commission officials into possible price fixing in Western Europe's \$1.1bn-a-year (\$1.69bn) soda-ash industry is the latest in a series of problems for this hard-pressed sector.

For much of the past decade, the business has been very much a poor relation in the chemicals industry as a whole.

The main suppliers, all of whose offices have been the subject of raids this week by Commission cartel-busting officials, are Solvay of Belgium, Britain's Imperial Chemical Industries, Rhone-Poulenc of France, West Germany's Henkel and the Netherlands' Akzo.

Soda ash (sodium carbonate), which is an important material in the glass and detergents industries, is highly unexciting. Its production process has barely altered for 100 years.

The manufacturing method, which involves adding ammonia and brine to limestone, is highly energy intensive and the industry has had a tough time keeping down costs.

Added to this, the European industry

Table titled 'WEST EUROPEAN SODA ASH PRODUCERS' showing annual output in millions of tonnes for 1987 and 1988 for various companies like Solvay, ICI, Rhone-Poulenc, Akzo, Henkel, and Kalk.

75 per cent owned by BASF. Source: industry estimates.

has had to battle to keep output at barely rising demand from customers. While much of the chemicals industry has experienced good demand for its products in recent years due to buoyant economic conditions, these factors have done little to help soda ash producers.

Glass output recently has been fairly flat, due to competition from other materials such as plastics packaging. In detergents, manufacturers have dur-

ing the 1980s been increasingly been using sodium hydroxide instead of soda ash. This is a byproduct in chlorine production and for much of this decade has been significantly cheaper than soda ash.

Sodium carbonate now sells at about £125 a tonne in Europe. In contrast to prices across much of the rest of the European chemicals business, which have risen steeply over the past two years, soda ash prices have been virtually static since the mid-1980s.

Another headache for the beleaguered European industry is the existence of cheaper supplies of natural sodium carbonate in other parts of the world, including the US, Turkey, Kenya, Tanzania and South Africa. In these places, the material is obtained from a mineral called trona and is significantly cheaper.

In the early 1980s, soda ash imports, especially from the US, were a problem for the European industry. But the difficulties have eased, thanks largely to tariffs imposed by the Commission in 1983 on supplies from the US. With the unhappy state of the soda

ash business generally, people in the chemical industry said yesterday they would not be surprised if some kind of agreement on markets and prices had existed among the main European suppliers.

"I think you can say that a practice of what you might call 'orderly marketing' has been in place," said one executive.

Another observer, who also said he did not want to be named, agreed he thought some kind of market sharing had taken place. "But I have some sympathy for the suppliers. They are in a difficult business and this kind of arrangement is possibly the only way they can survive."

Whatever the outcome of the Commission's inquiries, its officials are clearly in a mood to get to the bottom of the affair.

One of the officials, together with two people from Britain's Office of Fair Trading, raided ICI's main soda ash production plant in Wintoning, Cheshire, early on Tuesday morning. Yesterday afternoon they were still there.

Paris and Bonn in nuclear joint venture

By Paul Betts in Paris

FRAMATOME, the French nuclear plant manufacturer, and Kraftwerk Union (KWU), the energy subsidiary of the West German Siemens group, signed a major joint venture agreement yesterday which is expected to open the way to broad co-operation in the nuclear field between Paris and Bonn.

Framatome and KWU are expected to pool their international activities in the nuclear pressurised water reactor (PWR) field into a joint subsidiary called Nuclear Power International (NPI) headquartered in Paris.

The new company will be in charge of the international marketing of the two groups'

PWR business as well as co-ordinating the development of a common PWR technology for the international market. But it will not handle the two groups' PWR activities in their respective domestic markets.

The agreement, designed to strengthen the international market penetration of Framatome and KWU, is also expected to lead to a series of other major nuclear co-operation agreements between France and West Germany.

The West German Veba group is now understood to be considering halting construction of a nuclear fuels re-entertainment plant in Bavaria under pressure from German ecologists. As an alternative, it is

now envisaging taking a 40 per cent stake in a new re-entertainment unit under construction at La Hague, the French nuclear complex in Normandy.

At the same time Electricite de France (EDF), the French state electricity utility, is also negotiating the sale of excess French nuclear-generated electricity to West Germany. The French utility has been actively promoting the sale of its excess power capacity to neighbouring countries.

The Framatome-KWU agreement to pool their international marketing activities was originally to be signed last week. However, last minute hesitations on the part of the Commissariat de l'Energie At-

omique (CEA), the French nuclear power agency, delayed the agreement.

The CEA is a major shareholder of Framatome together with the privatised Compagnie Generale d'Electricite (CGE), the largest shareholder with a 40 per cent stake in the French nuclear power group.

However, Mr Roger Fauroux, the French industry minister, yesterday welcomed the agreement.

The new joint Framatome-KWU company based in Paris will be managed by a board of directors with four representatives. The general manager will be appointed by Siemens/KWU and the deputy general manager by Framatome.

Britain closes loophole on insider dealing

By Peter Marsh in London

The British Government's attempts to curb insider dealing was supported by a legal ruling yesterday in the House of Lords, the country's highest court of appeal.

The decision by the Law Lords is a step that had endangered government legal moves which are at the forefront of its campaign against insider trading. The Government has six cases before the courts and 17 under investigation.

People were deemed to be guilty if they dealt in shares on the basis of what they knew to be unpublished, price-sensitive information no matter how it came into their possession. Report, Page 8

Wright faces threat on ethics

Continued from Page 1

lan, who has argued in a 450-page report that Mr Mallick had a direct interest in legislation because of his oil and property interests.

Two specific bills are said to be at issue: an economic development grant for the Fort Worth stockyards and a bill which, belatedly, provided funds to bail out the savings and loan industry.

In 1986 and 1987, Mr Wright argued that federal regulators' efforts to close struggling Texas savings institutions would damage the regional economy - and he held up legislation providing funds for a bail-out to make his point.

Brussels says new butter fraud cost 'billions of Ecu's'

By Tim Dickson in Strasbourg

THE SPECTRE of European Community farm fraud was raised again yesterday when a leading member of the European Parliament claimed that "billions of Ecu's" have been wrongly paid out by Brussels to dairy producers in the Netherlands, France, West Germany and Belgium.

The allegations of Mr Piet Dankert, former President of the Strasbourg assembly and rapporteur on fraud in the Parliament's budgetary control committee, will fuel the bitter debate sparked off last year by two well-researched reports on EC export subsidies from the Court of Auditors, the EC's financial watchdog.

The Parliament's own public hearing in December focused further attention on the problem, prompting concern from Mrs Margaret Thatcher, the British Prime Minister, and forcing member states to seek ways of curbing alleged EC budget irregularities.

Mr Dankert made his astonishing claims yesterday, which suggested that as much as 10 per cent of the EC's £30bn (\$50bn) budget may be the subject of fraud.

The basis of his allegation was that the fraud had taken place between 1982 and 1987 when dairy producers using a

technique known as the "Nizo" method had sold their butter into the EC's intervention stores when it did not qualify for guaranteed purchases under the rules of the period.

Under the classic process, butter is made by taking the fat out of the milk and churning it into butter. The curd and a sour "undermilk" which can be used for drinking or fattening animals. Under the Nizo method, a so-called "sweet" residue is left which can be used for such products as coffee creamers or turned into dried milk powder.

According to Mr Dankert, the financial benefits (estimated at around Ecu1bn

(\$1.104bn) in the Netherlands and roughly half that in France) came because the producers were able to claim EC subsidies quite legally by selling their skimmed milk powder to animal feed producers.

Mr Dankert told MEPs that the fraud - which he said had been discovered from figures that should have been available to national authorities as well as the European Commission - was not the result of complex agricultural legislation. "The rules were perfectly simple," he stressed.

The Commission said last night that Nizo butter had been allowed for intervention from 1987.

World Weather table showing temperatures and conditions for various cities like Moscow, London, New York, etc.

Kohl puts Waigel in charge of finance

Continued from Page 1

eight D-Mark loans, which are exempt from it, slipped. However, the idea that Mr Waigel had made changes in the tax condition of his Cabinet entry as "pure invention."

It is true, however, that the Christian Social Union (CSU), of which Mr Waigel became head after Mr Franz Josef Strauss's death last year, has opposed the tax.

But while officials said yesterday that it could be simpli-

fied, any decision to scrap or emasculate it would clearly mark an even further loss of face for the centre-right coalition of Mr Kohl, for whom the Cabinet reshuffle is an attempt to recover status in the eyes of increasingly sceptical voters.

As for Mr Waigel, he will have to establish a profile quickly both at home and abroad. He must also develop a close relationship with the Bundesbank, whose association with Mr Stoltenberg was

generally fruitful, despite strong differences over the new tax and other issues.

Ironically, the Bundesbank yesterday reaffirmed its opposition to the withholding tax in its annual report, noting that it had not only led to heavy outflows last year, but also contributed to a sharp drop in foreign long-term holdings in West Germany. Mr Karl Otto Pöhl, its president, has made no secret of his opposition to the tax.

Advertisement for Fidelity Share Service, featuring a table of commission rates and contact information for Fidelity Share Service Limited.

INTERNATIONAL COMPANIES AND FINANCE

Steady growth at Dresdner Bank

By Haig Simonian in Frankfurt

DRESDNER BANK, West Germany's second biggest bank, completed this year's reporting season for leading German banks by announcing a 4.9 per cent rise in 1988 group partial operating profits to DM1.6bn (\$848m).

Full operating profits, which are not revealed but include earnings from own-account trading, reflected the bank's traditional strength in trading, with rises of 20 per cent and 35 per cent at group level and parent bank level respectively.

Net profits rose 11.2 per cent to DM519m, and the dividend

remains unchanged at DM10 a share.

Despite the good results, Mr Wolfgang Roeller, the chief executive, announced a limited form of voting restrictions on its shares to prevent an unfriendly takeover.

According to the plan, which has to be approved by shareholders at next month's annual meeting, an investor's voting right will be limited to 10 per cent of the bank's equity capital. The scheme, if approved, will apply for an initial three years, and will only be invoked with approval of the bank's

supervisory board.

Mr Roeller insisted that the plan, which reflects similar restrictions at some other German companies, had not been dictated by the persistent buying of the bank's shares since the stock market crash, which has triggered rumours of a possible bid. The buying reflected the fact that German bank shares were cheap by international standards, and the voting rights plan was designed to ward off "unfriendly" takeovers, he said.

As part of its strategy to develop its international fund management business, the

bank has bought the Boston-based Oechsle group, an independent US global fund manager, which has about \$1.2bn under management. The aim is to raise that to \$2bn by the end of the year. Further small fund management purchases may follow in London, where the bank bought a majority stake in the Thornton Group last year.

Meanwhile, group interest income rose by 3.4 per cent to DM4.11bn last year, while fee income climbed by 9.1 per cent to a record DM1.5bn. The rise in interest income, coming despite a continuing fall in the bank's lending margins, stemmed from a sharp increase in lending business, with group total assets surging by 11.6 per cent to almost DM23bn. Last year had been "the year of credit business," said Mr Roeller.

Results in the first two months of this year had confirmed the strong trend in lending, while commission earnings had been "particularly" pleasing, and were running "appreciably" above the proportionate level for 1988, he added. As a result, both partial and full operating profits so far this year were well ahead of the proportionate figure for 1988.

French publisher's Spanish bid hits snag

By Tom Burns in Madrid

A BID BY French publisher Robert Hersant to acquire the parent company of Spain's Grupo 18 media group has run afoul of legislation prohibiting foreign ownership of more than 25 per cent of a Spanish company with radio and television interests.

The target company Impulsa, whose publications include the newswire Cambo 16 and the newspaper Diario 16, owns a small FM radio station called Radio 16. This has proved a lifeline for Impulsa's chairman Mr Juan Tomas de Salas.

Mr de Salas, who claims to own more than 50 per cent of Impulsa, reacted angrily this week when the Hersant group announced that Cepresa, its Spanish holding company had bought more than 30 per cent of Impulsa.

The Economy Ministry yesterday said it would examine the nature of the Hersant bid, citing the legislation on foreign ownership. The Ministry warned it has full powers under existing legislation to block the French group's investment. As a precautionary measure the Ministry told Impulsa not to register Hersant's shares.

Diario 16 yesterday quoted Cepresa's chairman as saying that Hersant was willing to forgo ownership of Radio 16 if this was considered illegal by the Government.

In contrast, French pay-tv channel Canal Plus has moved gracefully into Spain with a bid, backed by powerful domestic allies, to provide commercial pay television. The enterprise, also called Canal Plus, will apply for one of three private TV stations to be allocated by the Government next month. Canal Plus owns 25 per cent of the venture's equity, the limit for foreigners. Frisa, owner of the newspaper El Pais and the radio network SER, has 25 per cent. Banco Bilbao Vizcaya and the March financial group each own 15 per cent.

Canal Plus could face rivals for the stations, including La Vanguardia, the Barcelona newspaper group, and publishers Grupo Zeta and Anaya.

Dassault registers sharp rise in group net profit

By Paul Betts in Paris

DASSAULT-BREGUET, the French aerospace group, reported yesterday a sharp rise in consolidated net profits to FF427.7m last year from FF185.6m the previous year. Group sales also rose to FF18.8bn last year from FF15bn the year before.

Parent company earnings, however, declined by 23 per cent to FF146.4m last year from FF191m the previous year. But Dassault emphasised that this fall in parent company net income reflected a substantial rise in profit taxes as well as the company's employee profit sharing scheme and provisions for

industrial restructuring costs.

New orders booked last year totalled FF15.96bn compared with FF13.43bn in 1987. Exports accounted for 88 per cent of the new orders while 21 per cent of the orders booked last year involved civil aircraft. Apart from military jets, Dassault also produces the Falcon range of corporate jets.

Mr Serge Dassault, chairman, said 1988 had been a particularly important year for the group because of the launch of the new Rafale fighter jet programme by the French government on which the future of Dassault largely depends.

The group had also sought to

expand its activities in the space sector, developing cooperation with French and foreign companies, as well as continuing to reduce costs and specialise its manufacturing plants to improve competitiveness. Indeed, Dassault is currently embroiled in a labour conflict with its unions over plans to shut down its Colomiers plant in Toulouse as part of its broad industrial rationalisation strategy. The company is currently negotiating with Aerospatiale, the state aerospace group, an eventual agreement to subcontract Aerospatiale work to Dassault to ease the restructuring problems at Colomiers.

Berliner Bank raises dividend to 10%

BERLINER BANK is to raise its dividend two points to 10 per cent following an increase in earnings last year from DM7.4m to DM8.24m (\$17.2m), writes Leslie Collett in Berlin.

The bank's expansion at twice the average rate of West German banks last year, the bank said it was cautiously optimistic about this year.

The city-owned bank, which is being privatised, has broken out of its local market over the past 15 years and become a national and international bank.

Berliner Bank scored a coup last year by obtaining a licence from Visa, the credit card company, and joining forces with Adac, the largest West German automobile club. Together with Landsgrubkassa, it is offering the Visa card to almost 9m Adac members. The bank is negotiating similar arrangements with other prospective customers.

Berliner Bank's six West German branches showed a marked improvement over 1987 and are expected to achieve an overall profit this year.

Two of the branches suffered bad loans in 1988 which led to a suspension of the dividend. The bank decentralised operations by creating five branches to cover West Berlin.

The advent of a red-green coalition government in West Berlin earlier this year had not baited previously planned investments, the bank said.

Businessmen had revealed some concern over the new Government's policies, but it was too early to determine what effect there would be on future investment.

Maxwell in final bidding for Enquirer

By Raymond Snoddy

MR Robert Maxwell, publisher of Mirror Group Newspapers, is in the final round of bidding for the National Enquirer, the top selling American popular weekly with a circulation of more than 4m. The winner of the sealed bid auction could be announced today.

Mr Maxwell, it is believed, is in a tense battle for the profitable publication with Hachette of France and Bauer of West Germany and several other potential purchasers.

The price is likely to value the company at well in excess of \$300m.

The Maxwell bid had been made through Mirror Group Newspapers rather than the quoted Maxwell Communication Corporation, and Maxwell Graphics in the US already prints the National Enquirer.

Roche sells German offshoot

By John Wicks in Zurich

F. HOFFMANN-LA Roche, the Swiss chemicals group, is to sell its German subsidiary Kontron Electronics to BMW, the West German car manufacturer, for an undisclosed price.

Kontron, based in Echting near Munich, produces electronic systems and components for analog and digital measurement and image processing. It has 1,150 employees and last year recorded sales of the equivalent of SFr333m (\$190m).

The sale of the company to the Munich-based holding company BMW Intec, which is subject to official approval, is a further step by Roche to concentrate its electronics activities on analytical instruments and systems for its expanding diagnostics division.

Late last year the Basle group announced plans to divest Kontron Instruments, of Zurich, to a European investor

consortium headed by Barin Capital Investors, of Paris. Kontron Instruments is a manufacturer of medical and clinical apparatus and in 1987 booked turnover of SFr34m.

Von Roll, the Swiss steel and engineering company, boosted net group earnings from SFr34m to a record SFr83m last year, on a 46 per cent rise in turnover to SFr2.19bn. The rise in sales was due mainly to the takeover of the Swiss company Isola Werks and the overall improvement in world steel prices.

The Gerlafingen-based parent company proposes to increase dividends for the year from SFr6 to SFr9 per registered share and participation certificate and from a semi-annual SFr15 to a full SFr45 per bearer share.

Shareholders will be asked at the May 24 annual meeting

to approve a change in the statutes whereby an alteration in the rules governing the entry of registered shares into the Von Roll stock ledger would need the support of at least 51 per cent of all shareholders. This is intended to guard against any takeover of control at the company.

Ems-Chemie Holding, Swiss parent company of the Ems group, plans to increase dividends for the current year ending April 30, from SFr55 to SFr70 per bearer share and from SFr11 to SFr14 per registered share.

It also proposes to make a rights issue of 37,936 new bearer shares of SFr500 nominal value to raise capital from SFr114.84m to SFr133.8m. For calendar 1988, Ems Group turnover rose by 10.2 per cent to SFr651m from SFr591m; net profits rose from SFr48m to SFr65m.

NEW ISSUE

13th April, 1989



SHOWA DENKO K.K.

U.S.\$500,000,000

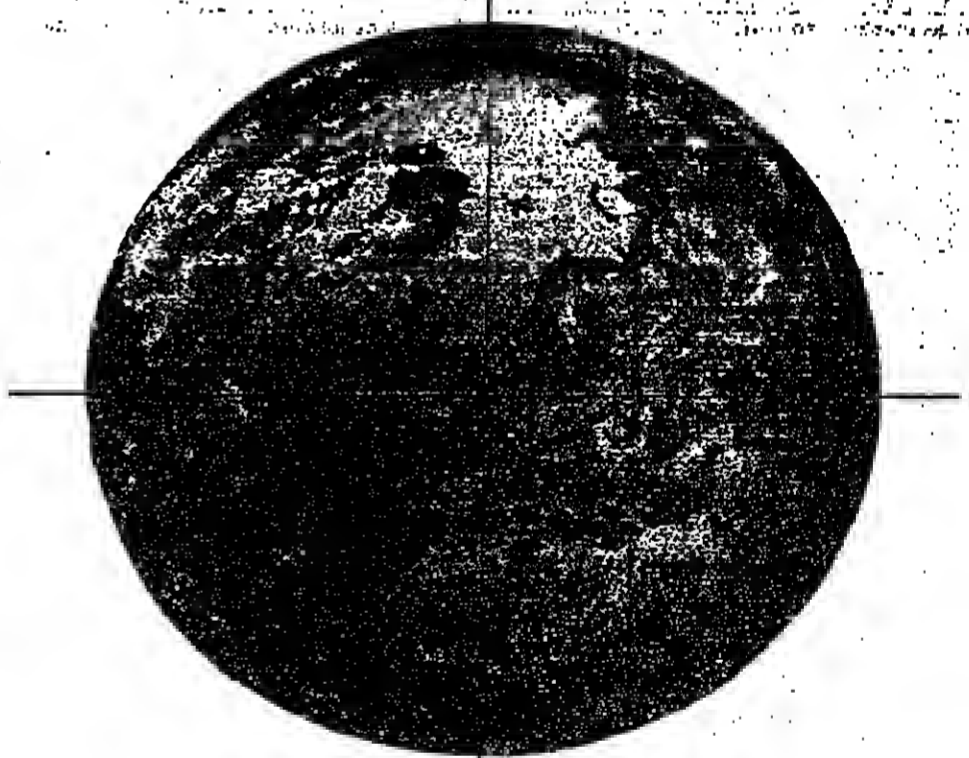
4½ per cent. Notes due 1993

with
Warrants

to subscribe for shares of common stock of Showa Denko K.K.

Issue Price 100 per cent.

Nomura International

Yamaichi International (Europe) Limited
Yasuda Trust Europe LimitedFuji International Finance Limited
Morgan Stanley InternationalIBJ International Limited
Bank of Yokohama (Europe) S.A.
Banque IndosuezAlgemene Bank Nederland N.V.
Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets LimitedBarclays de Zoete Wedd Limited
Credit Suisse First Boston Limited
Robert Fleming & Co. LimitedBaring Brothers & Co., Limited
Daiwa Europe Limited
Goldman Sachs International LimitedKleinwort Benson Limited
LTCB International Limited
New Japan Securities Europe LimitedKOKUSAI Europe Limited
Merrill Lynch International Limited
The Nikko Securities Co., (Europe) Ltd.Nippon Kangyo Kakumaru (Europe) Limited
Okasan International (Europe) Limited
Salomon Brothers International LimitedNorinchukin International Limited
Saitama Finance International Limited
J. Henry Schroder Wagg & Co. LimitedTokai International Limited
S.G. Warburg SecuritiesUBS Phillips & Drew Securities Limited
Westdeutsche Landesbank GirozentraleRotherham.
Conveniently Located
at the Centre of the World.

It is in the modest nature of Yorkshire folk to believe that the world revolves around them.

Conclusive evidence of this fact was provided by Rothmans (UK) Ltd, who chose Rotherham as the best place to store and distribute raw materials and cigarettes for much of the world.

(Everything, that is, apart from tobacco which, for some inexplicable reason, chooses not to grow in Yorkshire.)

Mind you, it's about the only thing that isn't growing in Rotherham. Since an Enterprise Zone was added in 1983, we've developed almost 200 additional acres, created nearly 3,400 new jobs and housed them in 3 million sq. ft. of new buildings.

Fortunately that still leaves plenty of attractive opportunities for a whole variety of new businesses, including offices and hotels.

To make it even more convenient, Rotherham can offer considerable financial incentives, a local authority that works with businesses to get things done, and fast access to ports, airports and main road and rail links.

So if you were considering relocating, or building, somewhere near to the centre of things, then give us a call here at Rotherham, Ring Keith Kertell on (0709) 372099 and ask for the Rotherham Fact File.

You could hardly be better placed, could you?

THE
Rotherham
WAY OF GETTING THINGS DONE

INTERNATIONAL COMPANIES AND FINANCE

Merging for a healthier future

Andrew Baxter and David Owen on a world vaccines tie-up

A century after the scientific endeavours of Louis Pasteur transformed the worlds of medicine, brewing and agriculture, an industry which owes much to his original researches is facing some modern challenges. It was the French chemist and microbiologist who originated, and was the first to use, vaccines for anthrax, chicken cholera and rabies. However, this is not a tale of 19th century scientific discovery but of today's world vaccine industry. At the heart of the story are the buzzwords of late 20th century capitalism: global market, critical mass, merger strategy and even poison pills.

It is fitting that one of the two principal players in this story should be Lyons-based Institut Mérieux (IM), the producer of vaccines and blood derivatives that grew from a medical institute founded in 1897 by Marcel Mérieux, one of Pasteur's assistants. The other is Canada's Connaught BioSciences, formerly CDC Life Sciences, a Toronto-based company with interests in vaccines, pharmaceuticals and contract research. Connaught has been a household name in Canada since 1922, when it became the first manufacturer of the hormone insulin, following Banting and Best's Nobel Prize-winning discovery.

Last month the two companies agreed to merge their human health activities into a new company, Mérieux-Connaught, which will be the world's largest vaccine producer and analysts say the first with a truly global spread.

Mr Alain Mérieux, president of IM and grandson of the founder, says that the proposed merger will create a "new dynamic of enterprise... This company [Mérieux-Connaught] will be in the leading position worldwide for the development and production of vaccines which have a primary role in the prevention of infectious diseases."

It is easy to see why a merger should be attractive for both companies. With estimated world sales of just \$800m, expansion which means the vaccines industry represents only 1.2 per cent of most countries' pharmaceutical markets.

Without big sales bases and forced to invest heavily in research and development - about 12 per cent of turnover at IM - companies have been restricted to defined geographical markets.

At the same time the industry is facing new competition. Until recently there was a clear separation between the vaccines industry with its biological approach to research and production, and the mainline pharmaceutical industry with its relentless screening of thousands of chemical compounds.

"The business of cultivating living organisms is very different to what the pharmaceutical industry was doing," says Mr Jacques Martin, the general manager at IM who negotiated

the deal with the Canadians. "But this is going to change, and we have to acquire some of these technologies."

There are also some short-term problems for IM and the industry generally. Overcapacity and price competition in the blood derivatives market, and the need to reorganise testing procedures in the wake of AIDS, have meant that IM - with a 7 per cent share of the world market - "has not had a very good time in the past year or so," according to Mr Andrew Tivenan at James Capel.

The company's net profits fell 10 per cent to FF190m (€30m) in 1987, and a further slight fall is expected for last year.

It was against this background that IM realised it had to "revise its concept of critical mass," as Mr Martin puts it. But negotiating a deal has not been easy. An attempt by IM last year to take effective control of Connaught by raising its stake from 12.6 per cent to 32 per cent foundered on opposition from the Canadian company and Canadian securities regulators.

Mr Brian King, Connaught chairman, offers three reasons why his company resisted the bid.

First, the C\$32 a share offered by IM to raise its stake - valuing Connaught at about

the deal with the Canadians. "But this is going to change, and we have to acquire some of these technologies."

The resultant merger will create Mérieux-Connaught, whose shares will be split equally between shareholders in IM and Connaught. However, because IM already owns 12.6 per cent of Connaught, it will end up with 58.3 per cent of the new company, which will fall to 51.4 per cent on a fully diluted basis. Mérieux-Connaught will be incorporated in the Netherlands but is likely to be publicly quoted in the US and Canada.

The remaining part of Connaught, Bio-Research Laboratories, will be spun off to shareholders, while IM will be left with its animal health business and 80 per cent of the revenues from its promising Imuthiol anti-AIDS treatment.

This structure partly reflects tax factors, but is also an attempt to find a more equitable and workable format than a takeover by IM. "This way, everybody's happy, and you've got a much stronger company," says Mr Tivenan.

Even so, Connaught's fabled past - it was owned until 1972

owned by Rhône-Poulenc, the French state-controlled chemicals and drugs group.

While IM cherishes its independence on a day-to-day basis, the convergence of technologies is bringing it closer to its parent, which consolidates 100 per cent of IM's sales into its accounts. Indeed, IM, with its 50.3 per cent stake in IM, sees it as an important complement to its own efforts in biotechnology, which consolidates 100 per cent of IM's sales into its accounts. Indeed, IM, with its 50.3 per cent stake in IM, sees it as an important complement to its own efforts in biotechnology, which consolidates 100 per cent of IM's sales into its accounts.

Despite the anxieties in Canada, both companies are of one mind on the benefits which the deal will bring. Mérieux-Connaught, with 1988 pro-forma sales of FF2.42bn, will have 25-30 per cent of the world human vaccine market outside Japan. Geographically, the companies fit together almost perfectly, with Connaught's strength in North America - it has 19 per cent of the US vaccines market - matching that of IM's in Europe and elsewhere.

The aim is to achieve marketing synergies by using the companies' existing networks to sell IM products in North America and Connaught products in western Europe. Mr Martin says that in the short term the merger will generate currently unutilised capacity for which it is developing five vaccines. It hopes to get two licensed this year, a polio vaccine and its Trivovax measles/mumps/rubella vaccine.

On research and development, the two companies are currently directing efforts on vaccines for diseases such as hepatitis and whooping cough and the hope is that the overlap can be eliminated, freeing more funds for innovative research programmes.

Some details of the deal remain hazy, and both companies agree that the financial benefits will take two or three years to emerge.

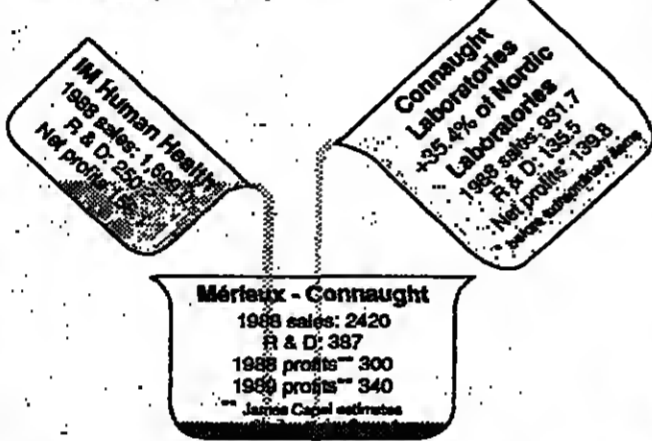
However, with the human vaccine market growing at an estimated 10 per cent a year, IM and Connaught hope the deal will provide a shot in the arm for profits in future years. James Capel estimates the new company will have net profits of FF340m this year, up from a pro-forma FF300m in 1988 before any added extraordinary items.

That might go a little way to justifying the fancy price-earnings ratios for both companies, particularly IM. Despite the Canadian company's better recent profit record - net earnings after extraordinary items rose nearly 20 per cent in 1988 to C\$30.8m on revenues of C\$224.5m - its rating is around half that of IM's p/e of about 37.

That, in turn, owes a great deal to market enthusiasm over prospects for Imuthiol, which has contributed about FF2,000 of speculative froth to IM's share price of around FF6,800, according to Mr Martin. IM is cautiously optimistic about Imuthiol, which works on a different principle to Wellcome's Retrovir by boosting the body's general immune system.

Elements of the new compound

Pro forma basis (F.Fr. million)



C\$700m - was inadequate. Second, all shareholders were not treated equally. And third, there was a complete absence of a gameplan as to how the companies would co-operate.

After the collapse of this approach, Connaught began talking to other potential partners, according to IM's information, preparing "poison-pill" anti-takeover defences.

The agreement that has eventually emerged is as complex as the industry it covers, and might well have taxed the brains of those 19th century pioneers.

The bulk of IM's human health activities will be injected into a new entity, IM Human Health, which will merge with two of Connaught's three business activities: the 100 per cent-owned Connaught Laboratories, which derives some 70 per cent of its revenues from manufacturing vac-

by the University of Toronto and played a key role in the 1940s in the first attempts to mass-produce penicillin - has produced a mixed response for the deal in Canada. While the economic case is generally regarded as compelling, the prospect of one of the country's few pharmaceutical successes falling under foreign control dawns nationalists.

The University of Toronto for one is considering whether to challenge the deal. The 1972 agreement under which the university sold Connaught to Canada Development Corporation contains commitments preventing CDC from selling control to a foreign-owned company. But the university, which still maintains strong research and development ties with Connaught, said its concerns were "larger than just the agreement."

A further twist is the ownership of IM itself. Since 1967 the company has been majority

Ansett Airlines suspends threat to shut NZ arm

By Dai Hayward in Wellington

ANSETT AIRLINES, the privately-owned Australian carrier, has suspended a threat to shut its New Zealand operations in protest at the Wellington Government's sale of Air New Zealand to a consortium led by Qantas, Australia's state-owned airline.

Sir Peter Abeles, Ansett chairman, announced the suspension after talks with Mr David Lange, the Prime Minister. Mr Lange will ask the consortium to delay signing the purchase agreement for a week once the Commerce Commission, New Zealand's anti-trust regulator, has released its report clearing the way for the sale.

The delay will enable Ansett to study the report, which is due for release in about a fortnight. Sir Peter said he now hoped they could solve Ansett's complaint, which was that it faced substantial loss of business from those Qantas international passengers formerly fed on to Ansett's New Zealand domestic routes.

Meanwhile, a one-day pilots' strike will go ahead today, but with some doubt whether Ansett pilots will participate. The strike is over the resistance of airlines to the pilots' efforts to obtain a single industry agreement instead of the existing separate agreements covering each airline.

Malaysian steel maker bids for troubled MPH

HUME INDUSTRIES, a Malaysian concrete and steelmaker, has launched a general offer for Multi-Purpose Holdings (MPH). This company is controlled by the Malaysian Chinese Association, the second largest party in the country's ruling coalition. Hume reports from Kuala Lumpur.

MPH is recovering from massive losses made in 1988 due to fraud and mismanagement. The deal values the company at L15bn ringgit (US\$4.2bn). Hume will pay 500 ringgit in cash and 1,000 ringgit in redeemable convertible loan stock for every 1,000 shares of MPH, financed partly by a three-for-two rights issue by Hume.

Mass Transit Railway Corporation

(A corporation established by the Mass Transit Railway Corporation Ordinance of Hong Kong)

HK\$3,000,000,000 (an equivalent amount in U.S. dollars)

Medium Term Note Programme

HK\$ Floating Rate Notes

Issue Date: January 9, 1989

Maturity Date: April 9, 1990

Interest payable at three monthly intervals

Notice is hereby given that the HIBOR applicable to the subject notes for the period from July 10, 1989 to July 10, 1989 has been fixed at 11 1/4% p.a. The interest payment date will be on July 10, 1989.

Morgan Guaranty Trust Company of New York

Hong Kong as HK Reference Agent

Banco Latinoamericano De Exportaciones, S.A.

(Latin American Export Bank)

U.S. \$30,000,000

Floating Rate Notes

due June 1991

Pursuant to section 5(d) of the Fiscal Agency Agreement between Banco Latinoamericano De Exportaciones, S.A. (the "Issuer") and The Chase Manhattan Bank, N.A. (the "Fiscal Agent") dated as of June 10, 1988, the Issuer will, at the option of the holder, release such notes at the option of the holder on or before July 10, 1989, such Note at its principal amount provided that, in the case of Floating Rate Notes, all interest accrued thereon or surrendered therewith, if surrendered, such notes at the option of the Issuer, shall be deposited with the Issuer outside of the United States, not less than 45 nor more than 90 days prior to such Interest Payment Date. Any Note, if so deposited, may not be withdrawn without the prior consent of the Issuer.

By: Banco Latinoamericano De Exportaciones, S.A.

April 14, 1989

Anglo American Investment Trust Limited
(Incorporated in the Republic of South Africa)
Registration No. 05 0881 06

Results for the year and final dividend
(subject to final audit)

Income statement		Balance sheet	
(R million)	Year ended 31.3.88	Year ended 31.3.88	As at 31.3.88
Dividends from			
- listed associated company	196.4	108.0	
- unlisted investments	98.0	53.9	
Interest earned less administration expenses	(0.9)	(1.1)	
Net income before taxation	293.5	160.8	
Taxation	0.8	0.5	
Net income after taxation	292.7	160.3	
Preference dividends	0.3	0.3	
Attributable earnings	292.4	160.0	
Share of retained earnings of associated company	569.0	280.1	
Equity accounted earnings	861.4	440.1	
Share of associated company's extraordinary item	75.0	2.3	
Ordinary dividends	836.4	442.4	
	290.0	160.0	
	646.4	282.4	
Transfer to non-distributable reserve	644.0	282.4	
Retained earnings	2.4	-	
Earnings per ordinary share - cents			
Attributable earnings	2 924	1 600	
Equity accounted earnings	8 614	4 401	
Dividends per ordinary share - cents			
- Interim	530	320	
- Final	2 370	1 280	

Shareholders' equity

Share capital	10.0	10.0
Non-distributable reserve	2 003.0	1 359.0
Retained earnings	82.4	80.0
	2 095.4	1 449.0

Investment in associated company

- listed	2 079.4	1 435.4
Other investments - unlisted	11.6	11.6
	2 091.0	1 447.0

Debtors and cash

Dividend payable and other creditors	243.0	130.6
Net current assets	4.4	2.0
	2 095.4	1 449.0

The market and directors' values of investments are:

Listed associated company - market value	6 009.8	3 044.2
Unlisted - directors' valuation	522.9	352.8
	6 532.7	3 397.0

Number of ordinary shares in issue (millions)

	10	10
--	----	----

Net asset value per share - cents (after providing for dividend and based on the market value of the listed investment and the directors' valuation of unlisted investments at March 31 1989)

	65 321	33 940
--	--------	--------

Comment

1. The company's major asset is its 25.8 per cent investment in De Beers Consolidated Mines Limited, and the following information was included in that company's provisional results for the year ended December 31 1988 which were published on March 8 1989:

	Year ended 31.12.88	Year ended 31.12.87
Earnings per equity share before extraordinary items - cents	550	282
Attributable earnings	780	410
Equity accounted earnings	200	110

2. The annual report will be posted on or about May 8 1989.

Head office: 44 Main Street Johannesburg 2001

London office: 40 Holborn Viaduct London EC1P 1AJ

April 14 1989

CANON INC.

Notice is hereby given that the Board of Directors has declared a dividend of JPY100 per share for the fiscal year ended March 31 1989. The dividend will be paid on or after the date of the meeting of the Board of Directors on April 14 1989. The dividend will be paid to the registered shareholders of Canon Inc. as of the record date of April 10 1989. The dividend will be paid in Japanese Yen to the registered shareholders of Canon Inc. in Japan and in U.S. Dollars to the registered shareholders of Canon Inc. in the United States and other countries. The dividend will be paid to the registered shareholders of Canon Inc. in the United States and other countries by check or by direct deposit to the bank account specified in the proxy statement. The dividend will be paid to the registered shareholders of Canon Inc. in Japan by check or by direct deposit to the bank account specified in the proxy statement. The dividend will be paid to the registered shareholders of Canon Inc. in the United States and other countries by check or by direct deposit to the bank account specified in the proxy statement. The dividend will be paid to the registered shareholders of Canon Inc. in Japan by check or by direct deposit to the bank account specified in the proxy statement.

Advertisement for Banco Latinoamericano De Exportaciones, S.A. floating rate notes.

Advertisement for Mass Transit Railway Corporation medium term note programme.

Advertisement for International Bank for Reconstruction and Development (World Bank) bonds.

DM 150,000,000 6 3/4% Deutsche Mark Bearer Bonds of 1989/1997

Issue Price: 100 3/4%

Advertisement for Woolwich Equitable Building Society floating rate loan notes.

Advertisement for The Molson Companies Limited floating rate notes.

INTERNATIONAL COMPANIES AND FINANCE

U.S. \$100,000,000

B.B.L. International N.V.

Floating Rate Notes Due 1999
Guaranteed on a Subordinated Basis
as to payment of principal and interest by



Banque Bruxelles Lambert S.A./
Bank Brussel Lambert N.V.

Interest Rate 10 9/16% per annum
Interest Period 14th April 1989
16th October 1989
Interest Amount per
U.S. \$5,000 Note due
16th October 1989 U.S. \$271.40

Credit Suisse First Boston Limited
Agent Bank

U.S. \$225,000,000



Crédit Lyonnais

Floating Rate
Notes Due October 1996

Interest Rate 10 9/16% per annum
Interest Period 14th April 1989
16th October 1989
Interest Amount per
U.S. \$10,000 Note due
16th October 1989 U.S. \$546.01

Credit Suisse First Boston Limited
Reference Agent

Chemical Bank net slides to \$117.9m

By Anatole Kaletsky in New York

CHEMICAL BANKING yesterday became the second big US bank group to report a decline in first quarter profits. Chemical, which ranks sixth in terms of assets among the US banks, made net profits of \$117.9m or \$1.49 a share, compared with \$125.5m or \$1.95 in the first quarter of 1988.

J.P. Morgan, the fourth biggest US bank, reported a 36 per cent fall in earnings on Wednesday. In Chemical's case the decline in total profits was only six per cent, but earnings per share fell by 25 per cent, due to the issue of 7 million shares last December as part of the company's balance sheet strengthening efforts.

Chemical's net interest income rose by \$18.1m, or three per cent, to \$597.8m, but this improvement was largely due to last year's exclusion of interest payments from Brazil. Brazilian interest payments in the latest quarter were \$17.6m.

Chemical's results this year were also improved by somewhat lower provisions for loan losses. Provisions in the latest quarter were \$90.7m, compared with \$105.6m the year before.

The company's non-interest income fell by 4 per cent to \$330.6m, with lower foreign exchange, investment security and other trading profits more than offsetting a 16 per cent advance in fees and commissions.

Non-interest expenses rose by 8 per cent to \$642.2m, mainly because of higher salary and occupancy costs connected with Chemical's acquisition of Horizon Bancorp of New Jersey.

Expenses at the group's principal subsidiary, Chemical Bank in New York, fell by 3.8 per cent.

Overseas surge lifts Coca-Cola

By James Suchan in New York

COCA-COLA, the world's largest maker of soft drinks, reported a surge in profits for the first quarter of this year as it reaped the benefits of heavy investment in its overseas business.

The 28 per cent rise in first quarter earnings per share outstrips Coke's average annual growth for the last three years of 18 per cent and seems to justify Wall Street's recent enthusiasm for the company. Mr Robert Goizueta, chairman of the Atlanta company, said:

"The strength and momentum of our soft drink business is demonstrated by our excellent first quarter results."

Coke said yesterday that its after-tax income in the three months to March rose 23.4 per cent from a year earlier to \$259.5m on a 6.2 per cent increase in sales to \$1,980m. Earnings per share rose 26.3 per cent to 72 cents, in part because the company bought 5m shares from its investors.

A big factor in the improvement was an increase of 8 per

cent in volume overseas, where Coke has been investing heavily in its bottling and distribution network. In the US, where per capita soft drink consumption is much higher, retail case sales increased a more sedate 5 per cent.

According to Mr Goizueta: "The company's sharp focus on expanding our soft drink infrastructure resulted in a worldwide retail case sales gain of 7 per cent."

In its foods business, Coke reported big gains in volume in

the highly competitive market for orange juice. Volume in chilled orange juice increased 31 per cent and in frozen orange juice 9 per cent.

The results also reflected a sharp improvement in contributions from Columbia Pictures Entertainment, the Hollywood film studio of which Coke owns nearly half. Equity income was \$1.93m against a \$50.3m loss in the first quarter of 1988 when Columbia Pictures booked non-recurring charges to profits.

Government forex freeze pushes Clal into red

By Hugh Carnegy in Jerusalem

THE CLAL Group, Israel's biggest privately-owned industrial group, yesterday announced its first full year loss, reporting a \$11.5m (\$11.5m) loss for 1988 after a \$11.34m profit in 1987.

The group, whose range of interests include electronics, textiles, construction and insurance, blamed a 24-month government freeze on the shekel foreign exchange rate for most of the damage to its export-reliant businesses. The shekel was finally devalued by 12 per cent in two stages in December and January.

"If devaluation had taken place a year earlier as economic conditions demanded, then group sales and income would have been larger than the growth of expenses and the group would have ended 1988 with a substantial profit," said Mr Abaron Dovrat, group president. Total group sales for 1988 were \$2.5bn, up from \$2.2bn in 1987 with exports up 13 per cent in real terms at \$500m.

Mr Dovrat also acknowledged that a general slowdown in domestic demand had had its effect, as had the Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip which especially hit sales of textiles and clothing in the territories.

The main loss-makers in the group were Urdan, a steel maker which incurred heavy one-off losses as a result of restructuring, the textile interests Kitan and the newly acquired Polgat, and the construction interests. Good performances came from ECI Telecom and Seltex, a top image reproduction system maker in which Mr Robert Maxwell acquired a 22 per cent holding for \$39m last year.

Mr Dovrat predicted a return to profitability this year.

Intel income brightens in first quarter

By Louise Kehoe in San Francisco

INTEL, the US semiconductor manufacturer, reported significantly higher than expected earnings for the first quarter, reflecting some strengthening in the US semiconductor market.

First quarter revenues totalled \$712m, up from \$636m a year ago. Net income for the quarter, ended April 1, was \$97m, up slightly from \$84m in the same period last year. Earnings per share declined to 52 cents from 54 cents last year as a result of an increased

number of shares outstanding. Analysts had forecast earnings per share of around 55 cents for the quarter.

In January Intel had said it expected first quarter net income to decline. But yesterday the company said that strong sales in March, along with cost savings and good production performance, had improved its earnings.

"The outlook brightened as the quarter progressed," said Mr Andrew Grove, president and chief executive officer.

"Both equipment manufacturers and distributors increased their orders compared to fourth quarter levels."

Mr Grove cautioned, however, that short-term orders accounted for a higher than normal portion of its first-quarter business. Coupled with a low backlog of orders, this means that the company's ability to predict future sales is limited.

In recent weeks Intel has announced several important new products including two

microprocessors, one aimed at the market for high performance workstations and minicomputers, and the other at the personal computer market.

Intel's new chips should protect its leadership position in the microprocessor market, industry analysts predict. Although neither of the new products is expected to ship in large quantities this year, the company's ability to extend the performance of its microprocessors is a major competitive advantage.

Gannett rises marginally

By Karen Zagor in New York

GANNETT, the big US media group which publishes USA Today, yesterday reported a marginal increase in first-quarter earnings.

Net income for the quarter ended March 26 was \$74.9m or 47 cents a share compared with \$74.0m or 46 cents a share the previous year.

Operating revenues increased 8 per cent to \$317.6m from \$297.9m, while operating income for the period jumped 24 per cent to \$145m from \$117m a year earlier.

The results for the 1988 quarter included a pre-tax gain of about \$45m resulting from Gannett's sale of its stock in Cowles Media for \$126m.

John Carter, chairman, president and chief executive, said: "Operating income posted its strongest advance since the fourth quarter of 1984, reflecting a stronger retail advertising environment and

favourable supply conditions for newspapers."

Gannett, which publishes 65 daily newspapers, said newspaper advertising sales rose 7 per cent in the quarter, while circulation revenues rose 4 per cent.

Newspaper advertising line-age rose 2 per cent.

The Washington DC-based company said that advertising revenues at USA Today advanced 6 per cent during the quarter because of advertising rate adjustments and a higher rate base.

The actual number of advertising pages fell to 896 from 977, but the 1988 period had been bolstered by special advertising sections for the 1988 Winter Olympics.

On the broadcasting side, revenues rose 10 per cent. Revenues from radio stations advanced 14 per cent.

Havas beats its forecasts

By George Graham in Paris

HAVAS, the French advertising and media group privatised two years ago, has reported a 35 per cent increase in net profits to FF746m (\$117m), up from its earlier provisional estimates which had already been revised upwards twice.

The group said it had recorded strong gains in all its activities, with turnover up 15 per cent to FF15.6bn and pre-tax operating profits up 51 per cent to FF1.15bn.

It had said in December that its profits for 1988 would total FF770m, but revised the figure to FF772m in February.

Canal Plus, the pay television station in which Havas has a 24 per cent stake, reported a 52 per cent increase in profits to FF615m; and Eurocom, Havas's 43 per cent owned advertising and marketing subsidiary, announced a 55 per cent increase in net profits to FF144.1m earlier this week.

Havas said yesterday that the budgeting plans of its subsidiaries and performance observed so far this year suggested that operating profits would rise by 15 per cent this year. The dividend will rise by 38 per cent to FF11 a share.

NOTICE TO HOLDERS

Bearer Warrants to subscribe up to ¥31,180,000,000
for Shares of Common Stock

of
THE NOMURA SECURITIES CO., LTD.
(the "1986/1991-Warrants")

and
Bearer Warrants to subscribe up to ¥25,600,000,000
for Shares of Common Stock

of
THE NOMURA SECURITIES CO., LTD.
(the "1988/1993-Warrants")

Notice is hereby given concerning the adjustments of the subscription prices of the 1986/1991-Warrants and the 1988/1993-Warrants.

I. First adjustment due to issuance of Convertible Bonds and Notes

As a result of the issuance of SFr.250,000,000 Convertible Bonds due 31st March, 1994 of The Nomura Securities Co., Ltd. (the "Company") and SFr.250,000,000 Convertible Notes due 31st March, 1994 of the Company, both issued on 31st March, 1989, the respective subscription prices of the 1986/1991-Warrants and the 1988/1993-Warrants were adjusted pursuant to Condition 7 of the Terms and Conditions of the 1986/1991-Warrants and to Clause 3 (v) of the Instrument (the "1986 Instrument") relating to the 1986/1991-Warrants dated 30th September, 1986 and pursuant to Condition 7 of the Terms and Conditions of the 1988/1993-Warrants and to Clause 3 (v) of the Instrument (the "1988 Instrument") relating to the 1988/1993-Warrants dated 31st March, 1988, respectively, as follows:

1986/1991-Warrants

1. Subscription Price before such adjustment: ¥3,364.10 per Share of Common Stock.
2. Subscription Price after such adjustment: ¥3,362.30 per Share of Common Stock.
3. Effective Date: 31st March, 1989 (Japan time).

1988/1993-Warrants

1. Subscription Price before such adjustment: ¥4,200.00 per Share of Common Stock.
2. Subscription Price after such adjustment: ¥4,197.70 per Share of Common Stock.
3. Effective Date: 31st March, 1989 (Japan time).

II. Second adjustment due to issuance of new Shares

As a result of the issuance of the 40,000,000 Shares of Common Stock of the Company in the Japanese market on 1st April, 1989, the respective subscription prices of the 1986/1991-Warrants and the 1988/1993-Warrants were further adjusted pursuant to Condition 7 of the Terms and Conditions of the 1986/1991-Warrants and to Clause 3 (vi) of the 1986 Instrument and pursuant to Condition 7 of the Terms and Conditions of the 1988/1993-Warrants and to Clause 3 (vi) of the 1988 Instrument, respectively, as follows:

1986/1991-Warrants

1. Subscription Price before such adjustment: ¥3,362.30 per Share of Common Stock.
2. Subscription Price after such adjustment: ¥3,351.10 per Share of Common Stock.
3. Effective Date: 1st April, 1989 (Japan time).

1988/1993-Warrants

1. Subscription Price before such adjustment: ¥4,197.70 per Share of Common Stock.
2. Subscription Price after such adjustment: ¥4,183.70 per Share of Common Stock.
3. Effective Date: 1st April, 1989 (Japan time).

The Nomura Securities Co., Ltd.

By: The Toyo Trust and Banking Company, Limited as Principal Paying Agent
Dated: 14th April, 1989

A P Moller boosts payout

By Hilary Barnes in Copenhagen

THE A.P. Moller shipping and industrial companies yesterday reported a 19 per cent increase in 1988 net profits to Dkr1,020m (\$135m) from Dkr855m a year earlier. Profits of Dkr820m were realised on sales of securities and ships.

The dividend in the twin parent companies, D/S of 1912 and D/S Svanborg, will be increased to 33 per cent from 30 per cent.

The Moller companies include the shipping partnership, best known under the Maersk name, oil and gas production from the North Sea, shipbuilding, air transport, manufacturing and retailing.

Moller said that expansion would continue in 1989 but that the considerable optimism about shipping expressed in

some quarters is exaggerated and that developments this year are difficult to predict. Conditions in shipping were better last year, said Moller, but not generally satisfactory, with global container capacity exceeding demand.

The companies - which are not consolidated into a group - report no turnover figures, but gross operating profits increased from Dkr2,740m to Dkr2,850m and earnings after depreciation from Dkr1,080m to Dkr1,330m.

Monberg & Thorsen, the construction, pharmaceuticals, paints and rubber products group, reported an increase in pre-tax profits to Dkr130m from Dkr104m the previous year. Turnover rose to Dkr4,360m from Dkr4,355m.

Raytheon starts on firm note

By Our Financial Staff

RAYTHEON, a leading US manufacturer of air defence missile and radar systems and other military electronics products, has begun the year on a relatively firm note, writes Our Financial Staff.

Earnings for the first quarter increased by 6.6 per cent to \$120.8m or \$1.83 a share from \$113.3m or \$1.68 for the corresponding period last year. Sales improved to \$2.07bn from \$1.95bn last year.

Earnings per share for the whole of 1988 amounted to a record \$7.56, achieved on peak sales of \$8.19bn.

The directors said that provisions for federal and foreign income taxes in the latest quarter totalled \$33.3m, as against \$48.6m in the first quarter of 1988.

Nintendo moves ahead 15.2%

By Our Financial Staff

NINTENDO, the Japanese maker of video games which is engaged in an antitrust battle with US rivals, lifted pre-tax profits 15.2 per cent to ¥16.5bn (\$101.5m) in its first half to February. Sales rose 47.1 per cent to ¥118.1bn.

The results were for the Kyoto-based parent company - the considerably larger consolidated group includes Nintendo America - which in December became involved in lawsuits with Atari Games. Nintendo's net earnings per share rose from ¥192.80 to ¥193.02. It is paying an interim dividend of ¥26, up from ¥24.

NOTICE TO THE HOLDERS OF AUSTRALIAN TELECOMMUNICATIONS COMMISSION

AS\$60,000,000 13% Bonds due 1992
Yen 10,000,000,000 5 7/8% Guaranteed Bonds due 1998
AS\$200,000,000 12 1/2% Guaranteed Exchangeable Notes due 1992

By section 6 of the Telecommunications Amendment Act 1988 of the Commonwealth of Australia the name of the Australian Telecommunications Commission was changed to:

AUSTRALIAN TELECOMMUNICATIONS CORPORATION

With effect on and from 1st January, 1989.

The Bonds and Notes have not been over-extended nor exchanged for new Bonds or Notes. The Bonds and Notes will continue to be listed on the Luxembourg Stock Exchange under the former name followed by the new one.

Banque Générale de Luxembourg S.A.
Listing Agent

U.S. \$100,000,000

ÖSTERREICHISCHE LÄNDERBANK
AKTIENGESELLSCHAFT

Floating Rate
Subordinated Notes Due 1999

Interest Rate 10 9/16% per annum
Interest Period 14th April 1989
16th October 1989
Interest Amount per
U.S. \$5,000 Note due
16th October 1989 U.S. \$271.40

Credit Suisse First Boston Limited
Agent Bank



Banco de la Nacion Argentina

U.S. \$195,000,000

Floating Rate Notes due 1994-1997

For the period
17th April, 1989 to 16th October, 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 11 1/2 per cent per annum, and that the interest payable on the relevant interest payment date, 16th October, 1989 against Coupon No. 4 will be U.S. \$2,843.75 per U.S. \$50,000 Note.

The Industrial Bank of Japan, Limited
Agent Bank

FOKUS Bank A/S

(Incorporated in the Kingdom of Norway with limited liability)

U.S. \$30,000,000

Floating Rate Subordinated Notes due 1997.

Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the interest period from 17th April, 1989 to 17th July, 1989 the following information is relevant:

1. Applicable interest rate: 10 7/8% per annum
2. Coupon Amount payable on Interest Payment Date: US \$262.26 per US \$10,000 Nominal
3. Interest Payment Date: 17th July, 1989

Agent Bank:
Bank of America International Limited

INTERNATIONAL CAPITAL MARKETS

Korean banks face probe into currency activities

By Maggie Ford in Seoul

A TEAM of investigators from the South Korean central bank has been despatched to a small provincial bank following revelations that it has incurred foreign exchange losses of Won80bn (\$45m).

The losses at Kwangju Bank, based in the south-west, appear to have wiped out more than half the bank's net worth of Won80bn. The case is the first reported significant loss in South Korea from "satech" or financial engineering.

Officials from the Office of Bank Supervision are to launch an urgent survey of all banks, especially the smaller provincial ones, to check their exposure to the foreign exchange market.

Politician to head German Citibank

By Halq Simonian in Frankfurt

MR Günter Rexrodt, West Berlin's former Finance Minister, is to become chief executive of Citibank's West German subsidiary from the beginning of next year.

Goodman credit rating downgraded

By Chris Sherwell in Sydney

GOODMAN Fielder Wattie, Australasia's largest food group, has had its credit rating downgraded, partly because of the burden of its 29.9 per cent holding in Ranks Hovis McDougall of the UK.

On its ability to fund its activities, and pointed out it was based on information long available to the market.

It points out that the group's Ranks holding, together with its 18 per cent stake in Elders IXL held jointly with the AFP group, represents an exposure to share markets equivalent to about 65 per cent of shareholders' funds and 25 per cent of tangible assets.

SEC approves Amex equity index trading

THE American Stock Exchange has received approval from the Securities and Exchange Commission to trade equity index participations.

NOK NOK CORPORATION U.S.\$150,000,000 4 1/4 per cent. Guaranteed Bonds 1993 unconditionally and irrevocably guaranteed by The Sanwa Bank, Limited with Warrants to subscribe for shares of common stock of NOK Corporation

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Maturity, Coupon, Yield, and Price. Includes sections for US DOLLAR, SWISS FRANC, and CONVERTIBLE BONDS.

COMPANY NOTICES

PUTNAM EMERGING INFORMATION SCIENCES TRUST S.A. Société Anonyme d'Investissement Luxembourg, 43, boulevard Royal R.C. Luxembourg n° B 22516

Notice of Annual and Extraordinary General Meeting The Shareholders of Putnam Emerging Information Sciences Trust (the "Company") are hereby convened to attend the Ordinary Annual General Meeting followed by an Extraordinary General Meeting of Shareholders to be held at the registered office of the Company on April 28, 1989 at 11.00 a.m.

Annual General Meeting 1. Reports of the Directors and of the Auditors. 2. Approval of the balance sheet and profit and loss statement at December 31, 1988.

Extraordinary General Meeting 1. Decision to change the investment restrictions of the Company, so as to adjust these pursuant to regulatory requirements for the registration of the Company as an Undertaking for Collective Investment in Transferable Securities (UCITS) in accordance with the Luxembourg Law of March 30, 1988.

Portuguese bank launches Es18bn rights BY Diana Smith in Lisbon BANCO Commercial Portuguesa (BCP), the fastest-growing bank in Portugal's private sector, is launching a rights issue to increase capital from Es21bn to Es39bn (\$192m).

Japan bond auctions to be computerised THE Bank of Japan will introduce next year an on-line computerised system for buying and clearing government bonds, Reuters reports.

Japan bond auctions to be computerised THE Bank of Japan will introduce next year an on-line computerised system for buying and clearing government bonds, Reuters reports.

Japan bond auctions to be computerised THE Bank of Japan will introduce next year an on-line computerised system for buying and clearing government bonds, Reuters reports.

Japan bond auctions to be computerised THE Bank of Japan will introduce next year an on-line computerised system for buying and clearing government bonds, Reuters reports.

Japan bond auctions to be computerised THE Bank of Japan will introduce next year an on-line computerised system for buying and clearing government bonds, Reuters reports.

THE FINANCIAL TIMES HOW TO RAISE YOUR INVESTMENT INTEREST RATE Even serious investors can get a little jaded. But now the NEW FT Guide to Alternative Investments will help put the zest back into your portfolio.

UK COMPANY NEWS

Godfrey Davis climbs to £17m

By John Thornhill

A 23 per cent increase in pre-tax profits, from £13.87m to £17.05m, is reported for 1988 by Godfrey Davis (Holdings), the textiles, car detailing and building services group.

Turnover rose to £256.39m (£221.47m) and earnings per share advanced to 15.16p (13.2p). A final dividend of 4.67p will make 7p (6.1p) for the year.

Mr Neil Benson, chairman, said all divisions had traded well and the profit, with shareholders of £77m, would provide a substantial springboard for the future.

Results for the early part of 1989 gave him confidence that next year will be reported on another period of continued growth and on the further development of the business.

In 1988 Sunlight Textile Services suffered from a decline in the hotel market during the year but the growth of its small rental business improved profits to £9.23m (£7.85m).

First Impressions, which supplies company clothing, also had a highly successful year, the chairman said. New

bury Laundry was added to the textiles division in June and has now been fully integrated.

A 20 per cent expansion of its contract hire fleet and improved management and controls in its dealerships largely accounted for growth in the vehicle division, where pre-tax profits to £7.86m (£5.91m).

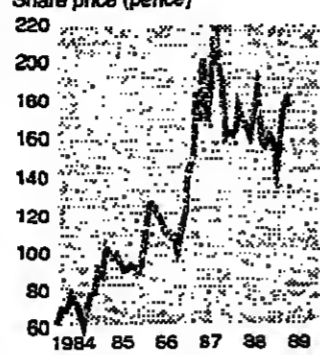
Building service activities were strengthened in September by the £43.7m acquisition of Falcon Industries, which supplies portable buildings and plastic garden pots. Mr Benson said it would take until the latter part of this year for the full benefits of the acquisition to be realised. Falcon contributed £80,000 and helped the division double profits to £2.55m (£1.27m).

A loss of £374,000 was incurred by other activities, although this was a reduction on the previous year's £769,000. This mainly reflected central office costs.

Godfrey Davis Home and Security Arrangements contributed pre-tax profits of

Godfrey Davis

Share price (pence)



£1.6m until their disposal in August and September respectively. Proceeds from their sale represented the bulk of an extraordinary credit of £12.8m.

COMMENT

This was a solid set of numbers reflecting Godfrey Davis's lighter management skills since the infusion of personnel from Sunlight Service. The peculiar mix of its businesses, much commented on at the

time of the reverse takeover, now seem to be working successfully in harness. There was encouraging growth in all the major areas despite some adverse market conditions but many of these markets may well deteriorate further this year.

Tighter economic conditions will pinch even harder and the building services and motor markets look vulnerable later in the current year, although performing well at present. Nevertheless, Godfrey Davis can still hope to gain through improving its existing business base and consolidating recent acquisitions. Further purchases look possible given the strong balance sheet which may help to keep the company parked up in an otherwise dull-looking economic year. Pre-tax profits look set to rise to at least £21m but earnings per share growth may rise only 10 per cent due to the increased number of shares in issue. A prospective p/e ratio of over 10 seems fair in the short-term although acquisitions may make that look more attractive in the longer term.

Cairn pays Pearson \$60m for Lignum

By Nikki Tait

CAIRN ENERGY, an independent oil and gas producer which obtained a listing at the end of last year, yesterday emerged as the purchaser of the Lignum oil and gas properties from Pearson, the publishing, banking and industrial conglomerate which owns the Financial Times.

Cairn is paying \$60m (£36m) cash, for which it gets interests in 29 offshore blocks in the Gulf of Mexico, working interests in 350 onshore wells in the States, and royalty interests in a further 90 onshore US wells. Total net proved and probable reserves are put at 48.5m cubic feet of gas and 2.5m barrels of oil.

The imminent sale of the Lignum interests was signalled by Pearson at the time of its annual results earlier this month. It sold certain other Lignum assets this year for an achieved premium with a net book value for the subsidiary's assets of \$51m at end-1988.

The sale of Lignum also follows the \$24m disposal of Whitehall Petroleum, whose interests were primarily in the North Sea, by Pearson last year. Pearson said yesterday that the latest sale - coupled with the disposal of a 35.9 per cent interest in US-based Compressor Systems to the company's majority shareholder - completes the reorganisation of the oil services division, which now centres of its Camco business.

Cairn says it is principally attracted by Lignum's offshore blocks - notably three Galveston Island blocks and Brazos block 884 - and that its main strategy in the States is concentrated on the gas market.

It plans to rationalise the onshore properties and dispose of "a sizeable proportion" of these within 12 months. Yesterday, the company suggested that it hoped to raise something in the order of \$5m-\$10m from this process.

To fund the deal, Cairn is setting up a \$40m five-year loan facility with Bank of Scotland. The remaining finance will come from a placing of 6.35m new shares for cash - increasing the issued capital by about 50 per cent. The shares have been conditionally placed at 220p, mainly with institutions. Amongst the places, Pearson has agreed to take 800,000 shares.

There is a clawback for existing shareholders. However, Cairn said that it did not expect Mr Barry Stokes - who acquired a 1.9 per cent interest when the group came to market - to utilise this, although claimed that he was supportive of the deal.

The purchase, which is subject to formal shareholder and US regulatory approvals, is due to be completed on May 10. Cairn shares dipped 5p to 215p yesterday, while Pearson gained 1p to 705p.

AMI Healthcare margins rise as profits advance by 51%

By Vanessa Houldier

AMI HEALTHCARE Group, private medical company, yesterday announced a 51 per cent increase in pre-tax profits to £9.64m, against £6.35m for the six months to February 28. Turnover increased by 23 per cent from £51.91m to £63.67m.

The second quarter, which as usual was affected by holidays, saw operating profits rise by 33 per cent to £4.4m on turnover up by 23 per cent to £31.5m.

Operating margins increased from 13 per cent to 14 per cent as productivity improvements and reduced cost of supplies helped the group to shrug off the effects of recent pay increases.

Earnings per share increased by 12 per cent from 8.4p to 9.4p. As with all the figures, they were calculated as if the capital structure had been in place from September 1987.

An interim dividend of 2p per share was declared.

In the 13 acute hospitals,

turnover rose by 21 per cent while prices increased in line with inflation. Bed occupancy levels were kept at 85 per cent of capacity, even after a 5 per cent increase in the number of beds.

Turnover in the three psychiatric hospitals rose by 54 per cent to £3.1m. AMI yesterday announced plans to expand this division with the acquisition of Stockton Hall in York for £2.1m. It will become a 60-bed psychiatric hospital for the rehabilitation of the adult mentally ill.

Dr Marvin Goldberg, chief executive, said that he welcomed the proposed reforms of the NHS, although they would not come into effect until 1993. The white paper would lead to higher levels of expectation in health care and additional opportunities for the private sector.

Medical Diagnostic Laboratories, the pathology laboratory joint venture which it was setting up with CDR-Lexon was

making progress. It is expected to come into operation in the fourth quarter.

COMMENT

Spring came early to AMI shareholders this year. After an extremely lacklustre performance during 1988, the shares have increased their value by half in the past few months. The reason is, in large part, speculation due to the instability of its US parent. It is mulling over restructuring proposals and leveraged buy-out talks, both of which could result in the sale of its 86 per cent stake in AMI. The market thinks that this, in turn, is likely to result in a full bid for the company. That is why the shares, unchanged yesterday at 355p, are on a demanding p/e of 18, assuming profits of £20m for the full year. That leaves little to go for, even though it is a well-managed company in a fast-growing sector of the market with good long-term prospects from the NHS reforms.

Portmeirion beats target with £1.72m

Portmeirion Pottery (Holdings), which came to the market last October, has handsomely beaten its profit forecast for 1988.

At the pre-tax level of £1.72m, the profit compared with £1.5m expected and with £1.09m made in 1987.

Earnings were 14.92p (9.98p). There is no final dividend; had the company been listed for a full year the payment would have been 4.5p.

Turnover in the year rose from £7.39m to £9.31m. The directors said the growth reflected the increasing demand for the group's pottery and associated accessory products.

Restyled Beacon makes £1.9m

BEACON GROUP, the old Mellerware cookware business, finished 1988 with pre-tax profits of £1.9m from turnover of £30.24m. The dividend is the promised 1.5p.

The figures took in several acquisitions, including the Jessar group which cost £6m in shares. On a merger accounting basis the 1987 comparisons were lost £24,000 and turnover £26.46m, while the reported returns in that year for the old Mellerware group alone showed a loss of £1.36m from sales of £15.48m.

Mr Sandy Saunders, chairman, said: "With no net debt, and an enthusiastic and highly motivated management team, Beacon is in a strong position both to grow its present

operations as well as to make further acquisitions."

He emphasised the change of direction to a supplier of electronic systems and precision engineering products for high technology markets. By divesting the original Mellerware Housewares operations, management was able to concentrate on developing its specialist engineering skills into its new core business.

There were no reorganisation costs this time and finance charges were cut to £160,000. The previous year saw financing costs of £999,000 restated and £578,000 original, while reorganisation costs were £232,000. Earnings came to 3.05p (losses 5.07p and 20.2p); the dividend for 1977 was 0.5p.

An extraordinary charge of £515,000 reflected the estimated loss on the sale of the housewares business.

Mr Saunders said the expansion programme was enabling the group to profit from the growing trend of large multinationals seeking to replace their internal manufacturing departments with independent specialists. Prospective p/e ratio of over 10 seems fair in the short-term although acquisitions may make that look more attractive in the longer term.

All acquisitions had been integrated into the management structure. The overall customer base represented a platform for further significant growth, and the marketing thrust had been reorganised to ensure each company could benefit from that potential.

TO THE HOLDERS OF

EBC AMRO TRADED CURRENCY FUND LIMITED

INCOME SHARES IN CONTINENTAL DEPOSITARY RECEIPT FORM

The Directors of the above fund have declared the following final dividend per share for the financial period ended 31st March, 1989, payable on 28th April, 1989 in respect of shares in issue on 31st March, 1989:-

US Dollars 0.3953 per share against coupon No.10.

Shareholders should send their coupons to Amsterdam Depositary Company N.V., Spuistraat 172, 1012 AD, Amsterdam.

EBC Trust Company (Jersey) Limited
Secretary
Dated: 14th April, 1989.

NOTICE OF REDEMPTION

QUEENSLAND COAL FINANCE LIMITED

U.S. \$46,000,000 Floating Rate Notes due 1995

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of clause (b) of the terms and conditions of the Notes, all of the outstanding Notes in the aggregate of a sum of \$28,850,000 of the above captioned issue will be redeemed on May 15, 1989 at the principal amount thereof together with accrued interest through to said redemption date.

Interest on said Notes to be redeemed shall cease to accrue on the redemption date and on said date the redemption price due and payable on each of said Notes called for redemption. Payment of the Notes to be redeemed will be made upon presentation and surrender thereof, together with all coupons appurtenant thereto maturing subsequent to the redemption date, at the office of SunAmerica Trust Company of New York, 80 Broad Street, New York, New York 10004, U.S.A., Attention: Debt Securities Processing, 21st Floor, or at the office of the holder, at Bank of America NT and SA, Bank of America Tower, 112 Margaret Road, Hong Kong, or Bank of America NT and SA, 25 Cannon Street, London EC3A 3DF, England, Attention: M. D. Rosano, Settlement Dept., or Bank of America NT and SA, Bascarterweg 15, CH-8002 Zurich, Switzerland, or Banque Internationale a Luxembourg, S.A., 2 Boulevard Royal, 2953 Luxembourg.

Coupons which shall mature on or before said redemption date should be detached and surrendered for payment in the usual manner.

QUEENSLAND COAL FINANCE LIMITED
By: SunAmerica Trust Company of New York,
as Principal Paying Agent

Dated: April 14, 1989

SMAC in line with forecast at over £1.4m

SMAC Group, the motor retailing company operating in the south-east and which gained a listing last October, increased pre-tax profits by 57 per cent in the year to December 31st.

Profits of £1.44m compared with £913,000 in 1987, with turnover dropping from £68.17m to £62.81m.

The company said that the results were fully in line with the forecast made in its prospectus.

Earnings per share advanced 51 per cent to 8.15p (5.38p) and, as stated in the placing document, the directors are not recommending any further dividend for 1988.

Mr Ray Horrocks, chairman, said that in the current year SMAC would continue to invest substantially in expanding the spread of its franchisees and its geographical coverage. He expected the company's progress to continue in 1989, with perhaps some slackening of demand.

American Distributors back in black

American Distributors, formerly Sapphire Petroleum, the USM-quoted company with interests in oil and gas exploration and production, and distribution of cigarettes and confectionery in the US, reported a return to profits in 1988.

Pre-tax profits totalled £257,000 against a loss of £257,000 last time. Turnover improved to £103.14m (£54,000) and after tax of £618,000 (£24,000) earnings were 11.1p (6.5p) loss, equivalent to earnings of 1.2p prior to the consolidation of the company's share capital on a one-for-five basis in January 1988.

These figures include only nine months contribution from Golden Distributors, acquired in April 1988. Directors are recommending a final dividend of 2.25p per existing share in respect of nine months' ownership of Golden.

The purchase, which is subject to formal shareholder and US regulatory approvals, is due to be completed on May 10. Cairn shares dipped 5p to 215p yesterday, while Pearson gained 1p to 705p.

Bentalls hit by tough trading

By Maggie Urry

TOUGHER trading conditions in south east England hit Bentalls, the department store group, in the more important, second half of its year to end January. After a first half pre-tax profit increase of 14 per cent, second half profits slipped 5 per cent. For the year pre-tax profits were 1 per cent down at £4.8m on sales 4.6 per cent ahead at £74.7m.

Mr Edward Bentall, chairman, said high interest rates had affected consumer spending, especially in the south east where the group's stores are located. The shares slipped 5p to 202p.

However, he was confident that the group's marketing strategy, introduced three years ago, would continue to attract customers. Bentalls had reduced the number of concessions within stores and

increased the "own-bought" merchandise to about 80 per cent. It had improved its fashion departments.

The group had not been let by excess stocks after Christmas. Mr Grenville Peacock, deputy managing director, said. He said the areas hardest hit by the slow down in sales were furniture, carpets and heavy electrical appliances.

Mr John Ryan, finance director, outlined the benefits the first six months of the £180m redevelopment of its property in Kingston upon Thames, south west London, by Norwich Union. A new Bentalls store is being built which will open in July 1990, costing Bentalls a net £12.4m to fit out.

The old store will be replaced by a shopping centre, opening at the end of 1992,

from which Bentalls will take 23.6 per cent of the rental income, estimated to be worth £2.4m a year, with a guaranteed minimum of £1.66m a year. Bentalls will also retain the freehold of the shop and the shopping centre, while Norwich Union will take the rest of the rental income.

Further ahead the group plans to open new stores which would allow central overheads to be spread across a wider base, and enable it to get better buying terms, for instance from Far Eastern clothing suppliers.

A slight reduction in the tax rate allowed an increase in earnings per share for the year to 7.24p (7.12p). A final dividend of 2.85p (2.65p) is proposed to give a total payment for the year of 3.5p, up 11.1 per cent.

Clondalkin tops £8m in 37% improvement

Clondalkin Group, Dublin-based printer and packaging manufacturer, achieved a 37 per cent increase in pre-tax profits from £5.86m to £8.04m (£5.76m) in the year to December 31st 1988.

A final dividend of 2.12p (1.97p) is proposed for an improved total of 3.476p (3.218p). Earnings per share advanced to 15.35p (11.38p) after a tax charge of £1.79m (£1.29m).

On sales 1 per cent ahead from £78.35m to £110.7m trading profits were £9.34m (£5.98m). Interest payable amounted to £1.17m against £55,000 received and the pre-tax result was struck after an exceptional debit of £125,000 (£174,000).

There was an extraordinary credit of £295,000 this time against a £74,000 debit.

West Industries acquisitions

By John Ridding

WEST INDUSTRIES, the engineering and construction group, yesterday completed the first step in its reorganisation plan with the announcement of a series of acquisitions and a disposal.

The company said that Samuel Denison, a joint venture between West and Firstmeasures, the investment company which holds 28 per cent of West's issued shares, had concluded the acquisition of the materials testing business of Avery Denison from GEC.

The completion followed the approval of a £22.5m two-for-five rights issue to Finance West's part of the deal. The total cost of the deal is £1m.

West also announced the purchase of the entire share capital of Hardness Control, which sells and services a range of materials testing equipment, for a maximum consideration of £225,000. The

initial consideration is £135,000 with the balance dependent on the level of service income.

In the year to the end of March 1988 Hardness Control had a turnover of £567,000 and pre-tax profits of £27,000. Its net assets were £24,000.

Mr John Moulton said the two acquisitions reflected West's strategy of developing its core business, adopted following the change in management last September.

The current business strategy was also reflected in the disposal of Westcare, its loss-making pest control division, which has been sold to the current management for a nominal consideration together with the repayment of £410,000 of group loans.

IG INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 An AFB member Reuters Code: IGIN, 1610

FT 30 FTSE 100
Apr. 1988 -2 Apr. 2038/2048 -2 WALL STREET
Jun. 1702/1711 -1 Jun. 2066/2078 -1 Jun. 2306/2318 -10
Jun. 222/2336 -11

Prices taken at 5pm and change is from previous close at 5pm

Prices taken at 5pm and change is from previous close at 5pm

the Leeds
£200,000,000
Floating Rate Notes Due 1994

Interest Rate: 13.34375%

Interest Period:
15 April, 1989 to 13 July, 1989

Interest Amount per £5,000
Note due 13 July, 1989:
£166.34

Interest Amount per £50,000
Note due 13 July, 1989:
£1,663.40

Agent Bank
Baring Brothers & Co., Limited

BLAGDEN

RECORD RESULTS

Results for year	1988 £000s	1987 £000s	
Turnover	161,515	148,757	+9.0%
Profit before taxation	10,361	8,022	+29.0%
Profit after taxation	6,248	4,614	+35.0%
Dividends per share	8.4p	7.7p	+9.0%
Earnings per share	18.0p	14.9p	+21.0%

Blagden Industries PLC is a holding company with four divisions - UK Packaging, International, Chemicals and Protective Equipment - and 26 principal subsidiaries operating from 19 major sites in the UK, Belgium, France, West Germany and the Netherlands. There are also two principal related companies in Spain.

BLAGDEN INDUSTRIES PLC

For a copy of the 1987 Report and Accounts write to: G. L. Levine, Company Secretary, Blagden Industries PLC, Tonman House, 63-67 Victoria Street, St. Albans AL1 3LR.

UK COMPANY NEWS

Mining the only let down as results reach top end of estimates
Costain profits advance to £89m

By Nikki Tait

STRONG RESULTS in housing and property, and a sharp recovery on the engineering and construction side, helped Costain Group increase pre-tax profit by 35 per cent in 1988. Turnover was £1,160m (£970m) from which a profit of £89.2m (£66.2m) was made. Earnings were up to 33.5p (25.7p). The final dividend is 12.5p making 11.75p (9.55p). Results were at the upper end of analysts' forecasts, but the share price still eased 4p to 319p.

The profits advance came from three of Costain's four divisions. The exception was mining, whose contribution at the trading level was marginally lower.

Housing produced the most striking advance with profits doubling from £12.5m to £26.8m, of which the UK accounted for £23m. The company completed 1,872 unit sales here, and the average selling price rose 36 per cent to £76,000. The number of units sold in California totalled 117, while in Spain Costain has taken a local partner into its resort development, leading to an earlier-than-expected contribution.

Mr Peter Costain, chief executive, suggested yesterday that the company still expected the

average UK selling price to advance in the current year, but said that domestic housing starts were currently down by around 30 per cent.

Property, too, showed a marked advance, from £38.8m to £24.1m. There was a £5m revaluation surplus in the UK, where the portfolio was valued at £22.8m. The Australian portfolio was £28m.

The latter made little contribution to profits last year. However, Costain this month plans to launch a property trust to acquire the first stage of its joint venture Riverside Quay scheme in Melbourne.

Within engineering/construction, profits benefited from loss-elimination on the UK civil engineering side, and rose to £22.4m (£14.3m). Overall, the group said its Australian business was buoyant, and in the UK volumes were good but margins were still a problem. It suggested prospects were encouraging in UK construction and civil engineering for the next few years, while offshore engineering was recovering from two poor years.

The mining division saw profits down from £33.2m to £32.5m, with some of the US equity coal mines suffering a fall in average selling prices as



Peter Costain: current housing starts falling

certain term contracts expired. A £10.2m (£8.1m) extraordinary item included the costs of pulling out of gold-mining in Australia.

COMMENT
Costain shareholders have finally seen the group move off its profits plateau - and in style. That said, these figures had been broadly anticipated. Even the flat mining division results caused few raised eyebrows, although some analysts

were more surprised at the Australian gold-mining slump-down, guesstimating that this may hit above, as well as below, the line. Spared that, and with some volume and margin improvement on the US/Australian coal operations, most expect a modest improvement here in the current year, with the possibility of more fireworks thereafter. Housing is a bit of an unknown: the US will chip in more strongly but even if average UK selling prices do not fall directly, analysts point to the added costs of shifting homes in the current market. Still, if unit sales can make around 1,800, there may yet be a marginal advance. Construction, too, is earmarked for steady rather than dramatic progress, so it seems that property - helped by an Australian contribution - will be left to do the star turn. All in all, the City hopes this will add up to £103m-£105m in the current year, putting the shares on a multiple of around 8.5. That still contains a bit of premium for Trafalgar's 8.5 per cent stake - at a time when placings rather than bids seem to be the order of the day. But the shares are probably solidly underpinned at the 300p-310p level.

Profits slip to £5.1m at Associated Fisheries

A £1.64m drop in investment income to £1.03m at Associated Fisheries, the food processor and cold storage group, contributed to an erosion of pre-tax profits from £5.69m in the year to September 30 1987 to £5.08m in the 15 months to December 31 1988.

The company's year-end been changed at the request of the parent company, Eastern Produce (Holdings). Turnover for the 15-month period was ahead at £127.91m (£103.53m for the previous 12 months), while the cost of sales rose to £109.24m (£86.22m). Group operating profits advanced to £5.18m (£3.94m).

The company said that there was no repeat of the previous period's substantial capital gain in the US and net interest loss investment income resulted in a charge of £103,000. This time tax took £1.62m, against a credit of £1.41m in the previous period, while there was an extraordinary credit of £5.42m (£951,000), relating to the disposal of the restaurant business and the release of a tax provision no longer required.

Earnings per share worked through at 19.55p, against 40.24p last time, although before the release of deferred tax in the year to September 30 1987, earnings were 22.53p. The directors propose to pay a final dividend of 5p (4p), making a total for the 15 months of 6p, compared with 5p for the previous period.

At the interim stage, operating profit had been 23 per cent ahead of the corresponding period, but that in the following nine months some of the ground gained was lost, due largely to the absence of profit of the fish restaurant business following its disposal.

Aspen in 45% growth despite specialist printing setback

By John Ridding

ASPEN COMMUNICATIONS, the USM-quoted corporate video, media, mobile communications and specialist printing company, overcame shortfalls at its business forms division last year to record pre-tax profits of £4.96m, a 45 per cent increase on 1987.

Turnover, boosted by strong markets in its corporate communications and mobile telephone divisions, grew by 51 per cent to £37.7m and earnings per share were up from 22.8p to 33.2p. A final dividend of 4.5p (3.5p) has been recommended giving a total of 8.5p (6.1p).

In addition there was an exceptional credit of £102,000, resulting from the gain on the sale of its base in Wiltshire.

Corporate communications saw an increase in profits and turnover of almost 75 per cent, partly reflecting the contribution of Edit Art, a post-production video editing facility, which was acquired in December 1987. The airline video entertainment business also experienced strong growth.

Since the end of the year, however, the division has been undergoing significant reorganisation, including the relocation of its businesses. This, combined with capital expenditure of around £4m has

resulted in a fall in profits in the first quarter. However, Mr Henry Meakin, chairman, said that full year profits were expected to show growth over last year.

The mobile communications division, which along with corporate communications represented the bulk of earnings, experienced a 50 per cent increase in pre-tax profits.

Problems were experienced, however, at the specialist printing division. Pensord, printer of business magazines, suffered from productivity problems and two lost contracts, and business forms production suffered from tighter margins and a consequent fall in profits.

Mr Meakin said that the volume of business lost in Pensord had now been recovered although the mix was not as favourable as previously. He added that with the acquisition of Heanon Gate, specialist promotional printer, earlier this year, the division should exceed 1987's figures.

Since the end of the year Aspen has made two other acquisitions - Intermark, a marketing agency, and Crystal Film and Video, a supplier of equipment and personnel to the television services industry.

COMMENT
Aspen surprised nobody with another set of strong figures - an achievement which was particularly impressive given the hiccup in specialist printing. But the brakes which have been absent over the last five years are now being applied. The first half of the current year will obviously suffer from the expenditure and dislocation involved in relocating staff around the country and in upgrading plant and, as a consequence, earnings growth in the first half will be constrained. The second half, however, will be a different story. With the upheaval out of the way the strong underlying growth will become evident. The recent acquisitions will provide a significant contribution, particularly in the marketing services division, and trading should remain strong in both corporate and mobile communications. In the former there is the additional boost of recent contracts to supply video products to two US airlines. The net effect implies pre-tax profits of around £5m putting the shares on a multiple of almost 13 and at a justifiable premium to the market.

Siemens reveals plan for Plessey

By Hugo Dixon in Munich

SIEMENS, the West German electronics giant, yesterday spelt out for the first time its plans for Plessey's micro-electronics and research activities should its joint bid with GEC of the UK for the British electronics manufacturer prove successful.

The Anglo-German consortium is waiting for clearance from Lord Young, the Trade and Industry Secretary, to proceed with a new bid for Plessey. A decision is expected within the next 10 days.

During a press visit to the central research facilities near Munich, Siemens executives said Plessey's microchip and research laboratories would be maintained and probably enhanced following a takeover.

The promises are intended to allay fears that a takeover would lead to the dismemberment of key parts of Britain's electronics industry. Plessey has some of the finest research laboratories in the country and

the UK's only significant microchip business.

On many points of detail, however, Siemens refused to commit itself, saying these could only be determined after a successful bid.

Plessey's two main research laboratories at Roke Manor and Caswell will be kept following a takeover, Siemens said. They will be run as a 50-50 joint venture, providing research facilities to both parents on a contract basis.

Professor Hans Danielmeyer, head of Siemens research and development, said he did not envisage problems keeping the laboratories occupied.

In microchips, the initial intention is to run Plessey's business also as a 50-50 venture with GEC. However, Mr Jürgen Knorr, head of Siemens semiconductor division, suggested this might be altered at a later date to give Siemens a larger share, provided GEC could be guaranteed a supply of chips for its defence electronics busi-

ness.

Mr Knorr said that Siemens intended to use Plessey's chip factory at Rotherham as its key plant for making specialised chips - known as application specific integrated circuits - for the world market.

However, he refused to commit himself finally on this point until he had had a chance to visit the plant. "There will be time enough after the deal. First you have to get the bear."

Mr Knorr also appeared to cast doubts on whether Plessey's research in gallium arsenide, a new type of material for making chips, would be maintained. "They have too much capacity, we have too much capacity. We might come to the conclusion that some rationalisation would be necessary."

However, he later clarified this statement by saying he did not mean a reduction in the number of engineers working on gallium arsenide but a re-organising of their activities.

Lyles up 17% but warns on full year

Pre-tax profits of S Lyles, the carpet yarn manufacturer, showed an increase of 17 per cent to £491,000 in the six months to end-December on record turnover of £11.42m, up from £9.68m. But Mr John Lyles, chairman, warned that a reduced profit figure was likely for the full year.

The interim dividend is held at 1.5p on earnings of 4.18p (3.5p) after a tax charge of £167,000 (£146,000).

Randworth deals reduce gearing to 90%

By Paul Cheseright, Property Correspondent

RANDSWORTH TRUST, the property company which has been building up an investment portfolio in the West End of London, has completed the sale of properties worth £70m and exchanged contracts for the purchase of another for £17m.

The result of the transactions is to reduce Randworth's gearing to 90 per cent from 100

per cent. This is partly a response to high interest rates, but Randworth had already indicated that it would be making sales of properties outside the main line of its interests.

The sales include the completion of the previously announced sale of a property at Wilson Street in the City of London for £38m. The balance comes from properties which

are either on a short leasehold or which are secondary to the growth of a portfolio in the West End; they include offices in Slough and car parks in Ramsgate and Margate.

Randworth is purchasing the freehold and occupational lease of a property on Oxford Street, adjacent to its acquisition for £56.5m last January of St Christopher's Place.

Downturn to £0.6m at Rea Brothers

SHARES IN Rea Brothers, the City merchant bank, yesterday fell 7p to 73p as the group unveiled pre-tax profits of £600,000 for 1988, down from £1.32m in the previous year.

At the midway stage, Sir John Hill, chairman, said he expected an improvement in trading performance following a programme of rationalisation and cost reduction.

Yesterday, however, Sir John said that profits had been

affected by further redundancy and reorganisation costs incurred in London.

Describing the outcome as "disappointing", Sir John said it was the "inevitable result of a year of reorganisation against a background of reduced business volume in the markets in which we operate."

Following a tax credit of £20,000 (charge of £682,000), basic earnings per share were 1.59p against losses of 0.59p

last time. A proposed final dividend of 0.25p gives 0.84p for the year.

Last year's payment amounted to 0.65p representing the interim dividend. The proposed final of 1.1p was voted down at the group's annual meeting by Finsbury Asset Management which speaks for some 36 per cent of the shares.

An extraordinary credit of £400,000 relates to the surplus arising on the disposal of the insurance broking operations.

COMPANY NEWS IN BRIEF

- BEAUFORD has purchased Bradford Cylinders for £950,000 cash, subject to a reduction should audited net assets at March 31 1989 be less than £950,000.
- CAULDON GROUP, through a wholly-owned subsidiary Cauldoncare, has entered into conditional contracts to acquire two nursing homes: one in Llandudno, Gwynedd, for £810,000 and another in Bebbington, Merseyside for £475,000.
- ESTATES & GENERAL Investments has sold its 18,000 sq ft office and showroom building in Amersham, Bucks for £1.2m. The purchaser is Merritts of Amersham, a Jaguar dealer.
- FIFE INDMAR has acquired the heritable property, plant and equipment, stock and certain patent from the receiver of James Hamilton and Sons (Engineering) for £250,000 cash.
- FILMTRAX has acquired J&B Records - the only publicly listed record company on the Australian stock market - for A\$10m (£4.8m).
- VAUX GROUP has acquired Wyton, which owns a nursing home, for £712,500. The purchase will be satisfied by the issue of 35,000 ordinary shares and 2612,500 cash.

Preliminary Announcement
Year ended 31st December 1988

	1988	1987	% Change
Profit before tax	£203.1m	£155.0m	+31.0
Earnings per share	57.0p	47.7p	+19.5
Dividends	20.0p	15.0p	+33.3

- UK Cement increased its operating profit by 63% to £74.3 million.
- Home Products profits rose by 88% to £23.1 million, including a first time contribution from Birmid Qualcast.
- Property profits were 47% higher at £24.6 million.
- Brick profits advanced to £6.1 million.
- Overseas, profits were lower from the United States but were satisfactory from most other countries.

This announcement appears as a matter of record only

MIDLAND & SCOTTISH RESOURCES PLC
(formerly Jebsons Drilling plc)

has acquired

EMERALD FIELD CONTRACTING LIMITED

EMERALD FIELD CONTRACTING LIMITED
has raised £154,700,000
development finance for the Emerald Field

The undersigned acted as financial adviser to Emerald Field Contracting Limited on both transactions

BRITISH & COMMONWEALTH MERCHANT BANK PLC

BUILDING ON ITS STRENGTHS

Blue Circle Industries PLC
Portland House, Stagley Road, London SW16 3BE

Details of the Annual Report and Accounts will be posted in North Street, 7, Newcastle, on 14th April 1989. The Company

COMMODITIES AND AGRICULTURE

Tin price registers biggest gain since 1985 collapse

By Wong Sulong in Kuala Lumpur

THE TIN price on the Kuala Lumpur market yesterday leapt 1.5 rings to R28.67 a kilogram (\$10.44 a tonne), the biggest single daily increase since the collapse of the tin market in 1985.

Wheat stocks seen 24% lower

By David Blackwell

WORLD WHEAT stocks at the end of the 1988-89 season will be 102m tonnes, down from 135m tonnes at the end of the previous year, according to the latest market report from the London-based International Wheat Council.

Palladium surges \$10 to 8 1/2-year peak

By Kenneth Gooding, Mining Correspondent

THE PALLADIUM price yesterday reached the highest level since late November, 1980, to reach \$178.50 an ounce, up \$10.50 on Wednesday.

Environment group highlights Japanese threat to forests

By John Hunt, Environment Correspondent

LARGE IMPORTS of timber by Japan will lead to the destruction of the remaining tropical forests of South-east Asia within 20 to 30 years if they continue unchecked, according to a report from the World Wide Fund for Nature (WWF) published yesterday.

India sets ambitious foodgrain target

By K.K. Sharma in New Delhi

A CONFERENCE of agricultural experts from all the Indian states has charted out a strategy for achieving the ambitious target of boosting foodgrain production to 175m tonnes in 1989-90.

The report says that the Japanese Government, the timber trade and end-users should discontinue wasteful uses of tropical timber. It adds that Japan should increasingly look to temperate soft woods from sustainably managed forests and to alternative materials.

Coffee talks limp toward close

By David Blackwell

THE INTERNATIONAL Coffee Organisation today ends a fortnight of talks on the future of the coffee pact with little hope of agreement on anything except a further meeting in June.

The overall strategy for raising production is to increase the area under high-yielding varieties of rice in irrigated and rain-fed areas, diversification of the varieties, adoption of improved rice production technology and increased use of fertilisers.

Regulation costs likely to 'obliterate' small brokers

David Blackwell on a company which found the charges too steep

THE WAY charges are levied for regulatory purposes under the Financial Services Act are almost guaranteed to obliterate small futures brokers, according to Mr Alan Harper, whose company recently announced its withdrawal from trading on the Baltic Futures Exchange.

Mr Harper believes that the charge should be made per lot traded. He says that his company, which employed nine, had 50 per cent of the grain futures market. Mr Harper pointed out that under the FSA the Grain and Feed Trade Association (Gafat) had to introduce a clearing house and consequently raised its market fees from 60p to £1 a lot.

W Australian gold mine reopens after 35 years

By Kenneth Gooding, Mining Correspondent

TECHNOLOGY FOR extracting gold from ore developed over the past 15 years and a relatively high gold price have been responsible for bringing back to life the Big Bell mine in the Murchison district of Western Australia, which has been closed for 35 years but had its formal re-opening yesterday.

LONDON MARKETS

Table with columns for COCOA, COFFEE, and SPOT MARKETS. Includes sub-tables for COCOA (Close, Previous, High/Low) and COFFEE (Close, Previous, High/Low).

WORLD COMMODITIES PRICES

Table with columns for LONDON METAL EXCHANGE, POTATOES, and SOYABEAN MEAL. Includes sub-tables for LONDON METAL EXCHANGE (Close, Previous, High/Low) and POTATOES (Close, Previous, High/Low).

US MARKETS

Table with columns for IN THE METALS, COPPER, CRUDE OIL, HEATING OIL, COCOA, and SOYABEAN MEAL. Includes sub-tables for IN THE METALS (Close, Previous, High/Low) and COPPER (Close, Previous, High/Low).

Chicago

Table with columns for SOYABEAN MEAL, WHEAT, and LIVE CATTLE. Includes sub-tables for SOYABEAN MEAL (Close, Previous, High/Low) and WHEAT (Close, Previous, High/Low).

SPOT MARKETS

Table with columns for SPOT MARKETS (Dubai, Brent Blend, WTI, etc.) and SOYABEAN MEAL (Raw, White, etc.).

LONDON BULLION MARKET

Table with columns for GOLD (Close, Previous, High/Low), SILVER (Close, Previous, High/Low), and SOYABEAN MEAL (Close, Previous, High/Low).

New York

Table with columns for GOLD (Close, Previous, High/Low), SILVER (Close, Previous, High/Low), and SOYABEAN MEAL (Close, Previous, High/Low).

WHEAT 5,000 bu min; cents/bushel

Table with columns for WHEAT (Close, Previous, High/Low) and LIVE CATTLE (Close, Previous, High/Low).

FRUIT AND VEGETABLES

Table with columns for FRUIT AND VEGETABLES (Rubber, Cocoa, etc.) and SOYABEAN MEAL (Close, Previous, High/Low).

FRUIT AND VEGETABLES

Table with columns for FRUIT AND VEGETABLES (Rubber, Cocoa, etc.) and SOYABEAN MEAL (Close, Previous, High/Low).

INDEXES

Table with columns for INDEXES (REUTERS, DOW JONES, etc.) and SOYABEAN MEAL (Close, Previous, High/Low).

WHEAT 5,000 bu min; cents/bushel

Table with columns for WHEAT (Close, Previous, High/Low) and LIVE CATTLE (Close, Previous, High/Low).

CONTENTS

Oil Banking 2
 Agriculture 3
 Greening of Abu Dhabi 3
 Defence 3
 Al-Nahyan family tree 4
 Profile: Sheikh Zayed bin Sultan al Nahyan 4

KEY FACTS

Population: 670,000 (1985)
 Area: 67,350 sq km
 Ruler: Sheikh Zayed bin Sultan al-Nahyan, President of the United Arab Emirates
 Currency: UAE dirham (Dh) = 100 fils
 Current exchange rate: \$ = Dh3.67; £ = Dh6.23 (April '88)
 Crude oil output: 1.2m b/d
 oil reserves: 92bn barrels (end 1987)
 natural gas reserves: 190 trillion cu ft
 Major imports: machinery/transport equipment 47.2%; basic manufactures 15.73%; food and live animals 15.18%
 All figures 1987 unless stated otherwise

Dhabi has not yet attempted to become a major exporter of petrochemicals. Instead, like Kuwait, it has used oil income from the good years to buy foreign investments which can provide a cushion when times are hard in the oil business. The Abu Dhabi Investment Authority is thought to have about \$40bn in assets. The problem with the establishment of any local industry is that it generally means importing more foreign labour. Abu Dhabi is easy going and welcoming to foreigners, but it is understandably reluctant to see its own population overwhelmed. Already three quarters of the inhabitants and more than 90 per cent of the workforce are foreigners, many of them from the Indian sub-continent. Abu Dhabi is among the world's richest people, but their numbers are rapidly increasing and they will eventually have to take more than the most senior jobs. With this in mind, Sheikh Nahyan bin Mubarak, the young Oxford-educated Chancellor of the UAE University at Al-Ain, is working with his colleagues to push the majority of students away from the arts and towards technical subjects. Higher colleges of technology are being set up all over the country for the same purpose. Sheikh Nahyan sees too many sociologists and historians for his liking.

Continued on Page 4

FINANCIAL TIMES SURVEY

Increased safety of the Gulf sealanes, an easing of regional tension and stability in oil prices have helped to create a mood of confidence among businessmen. The talk in the emirate is now of diversifying the oil-dependent economy, writes Victor Mallet

The economy gathers pace

A YEAR AGO the Gulf war between Iran and Iraq was beginning to make itself felt in the United Arab Emirates in a manner that could no longer be ignored. Ships had struck mines close offshore in 1987, and in April 1988 an Iranian gunboat attacked the Sharjah emirate's Mubarak oilfield, temporarily shutting down the installations and echoing an Iranian attack two years previously on Abu Dhabi's Abu al-Bukhoosh field. The Gulf war ceasefire in August was therefore of immediate benefit to Abu Dhabi, the richest and largest of the UAE's seven emirates and home of the federal capital. The easing of regional tension and the increased safety of the Gulf sealanes, combined with a period of relative stability in oil prices, has helped to create a confident mood among businessmen and members of the ruling elite. Abu Dhabi is a society almost entirely dependent on exports of oil and gas. With the resulting imports of capital goods, consumer products and foreign expertise, it has been transformed in less than a generation from a desert sheikhdom into a thriving, free enter-

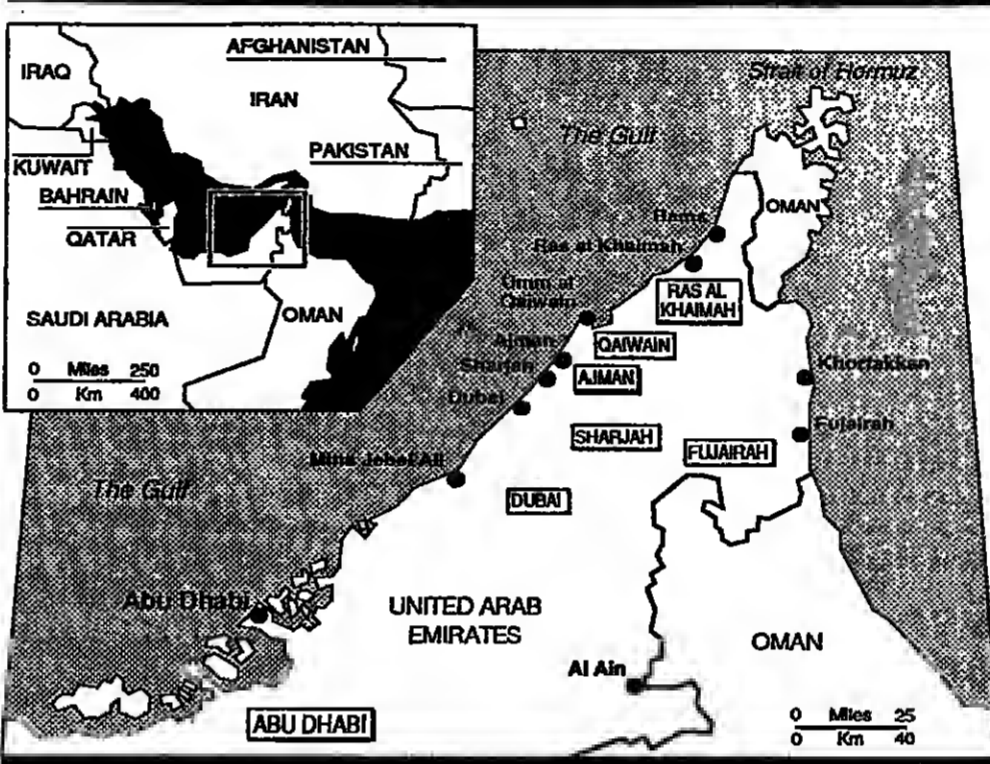
prise, modern economy. When Wilfred Thesiger, the British traveller, saw Abu Dhabi town in 1948 it had only 2,000 inhabitants. "A large castle dominated the small dilapidated town which stretched along the shore. There were a few palms, and near them was a well where we watered our camels," he wrote in his book *Arabian Sands*. "Then we went over to the castle and set outside the walls, waiting for the sheikhs to wake from their afternoon slumbers." Thirty years later he returned. Remembering the harsh beauty of life in the desert before cars and skyscrapers, he found the transformation appalling. Abu Dhabi, he wrote, was "an Arabian nightmare, the final disillusionment." Few of its inhabitants would agree, although they might concede that the city is a place of unabashed modernity, delighting in its office blocks and garishly-lit fountains along the Corniche. Sheikh Zayed bin Sultan al-Nahyan, the 73-year-old ruler of Abu Dhabi and President of the UAE, was once in charge of the Eastern Region. He took Mr Thesiger on a falconing

expedition from the Buraimi Oasis 40 years ago, but their views on the benefits of development differ markedly. In 1966 Sheikh Zayed became ruler in place of the deposed Sheikh Shakhbut (his older and more old-fashioned brother who died in February this year) and has since pursued a vigorous policy of modernisation. In the strictest commercial sense not all the money is wisely spent, but there is plenty more where it came from. Sheikh Zayed has led the way in the UAE in encouraging agriculture and the planting of trees to "green the desert", an endeavour which either uses costly desalinated water or depletes underground aquifers. Bulldozers are hard at work flattening the sand dunes for more planting around Liwa, near an empty four-lane highway which serves the area's small villages. It is also true that competition rather than co-operation is often the rule between the different emirates, and the UAE has a plethora of ports and airports. Abu Dhabi, with its population of some 700,000, will shortly have its second international airport at al-Ain - the sixth in the UAE. The Abu Dhabi economy, lacking Dubai's long-standing involvement in trade and re-export by the merchant community, is essentially dependent on government spending - and government spending depends on oil revenues. Since 1981, the UAE's oil and gas income has been more than halved by falling prices, and consolidated government revenues have dropped by more than 80 per cent. In Abu Dhabi, the main oil producer in the UAE and the source of most of the federation's money, capital projects suffered while current expenditure was maintained by means of local borrowing and a draw-down of reserves. This year, however, the overall climate has improved. A small boom in construction is under way, fuelled by the replacement of decaying buildings thrown up in the first flush of Abu Dhabi's wealth two decades ago, and by the coming of age of younger sheikhs keen to invest in property. There are other signs of economic strength. Rents are rising, visa applications from foreigners have increased, and the shares of some Abu Dhabi companies have doubled in value. "Business is picking up," says Mr Saleh Rashed al-Dhaheri, Director General of the Abu Dhabi Chamber of Commerce and Industry. "The price of oil is becoming more stable. That will enable us to plan better for future projects." The Gulf war ceasefire, he says, has



A resident of Abu Dhabi in contemplative mood walking along the beach with the city's developed skyline in the background

ABU DHABI United Arab Emirates



soothed the atmosphere in the region. Businessmen agree. "People's confidence has increased," says one. "The economy of Abu Dhabi is a project-oriented economy and the government is spending more on projects." Abu Dhabi is nevertheless aware that its dependence on oil and gas is a potential weakness. Traditionally more cautious than the free-wheeling traders of Dubai and Sharjah, Abu Dhabi is beginning to talk about diversification. The efficiency of Port Zayed, previously overshadowed by the pre-eminence of Dubai's Port Rashid, is being improved, and re-exports have increased. There are plans to lure more tourists to Abu Dhabi. Local industry - at present only rudimentary - is being encouraged. "We don't want to rely just on oil exports," says one of Sheikh Zayed's advisers. "People have got used to enjoying money, but the question is how long is the honeymoon going to continue?" Unlike Saudi Arabia, Abu

ABU DHABI • AL-FUJAIRAH • AMMAN • ATHENS • BAHRAIN • BANGKOK • BOMBAY • CAIRO • COLOMBO • DAMASCUS • DARSISALAM • DEHI • DHAKA • DOHA • DUBAI • FANKURIT • HONG KONG • ISTANBUL • JEDDAH • KARACHI • KHARTOUM • KUWAIT • DARSISALAM • DEHI • DHAKA • DOHA • DUBAI • FANKURIT • HONG KONG • ISTANBUL • JEDDAH • KARACHI • KHARTOUM • KUWAIT

THE BIGGEST LUXURY WE CAN OFFER IS THE BIGGEST CHOICE.

Because we fly to more places in the Middle East than any other airline, we're in the best possible position to make the right connection for you. With a fast-growing network of destinations and a higher flight frequency than ever before, you have more freedom to choose the time and the place you want to travel to with Gulf Air.

A TRULY CIVILISED WAY TO FLY.

SHARJAH • SANAA • SALALAH • RIYADH • RAS AL KHAIMAH • PARIS • NAIROBI • MUSCAT • MANILA • LONDON • LARNACA

Excellent connections. Precise information. Prompt assistance.

That's why we are a reliable and resourceful bank for efficient trade financing.

We are one of the largest banks in the United Arab Emirates where we operate with deeply entrenched connections, unrivalled resources, strengths and skills. However, our commitments transcend domestic borders also. In today's fast changing world of business and finance, our accurate and precise information coupled with a prompt and positive response has enabled us to build productive trade relations worldwide. With our global reach and first hand knowledge and experience of the world's major markets, we can meet your trade financing needs howsoever unique they may be.

We are at the forefront of the region's new dynamism with trusted liquidity, Arab resources and global expertise.

Discover how we can work for you.

OVERSEAS BRANCHES: Alexandria, Bahrain (2), Gaza, Khartoum, London (2), Muscat, Paris, Port Said, Telex Harb. **SUBSIDIARY:** Washington **REPRESENTATIVE OFFICE:** Sydney

Head Office: Sheikh Khalifa Street, P.O. Box 4, Abu Dhabi, UAE. Tel: 335262, Telex: 222667 MASRIP EM.

London City: 90 Bishopsgate, London EC2N 4AS. Tel: 6268861, Telex: 253311/2 MASRAF G, 885782 MASRAF G

London West End: 2 Albert Gate, Knightsbridge, London SW1. Tel: 2355400, Telex: 886857 NSADWE G

Paris: 8, Rue Newton 75116, Paris. Tel: 40700806, Telex: 842710 ABUDHIS D, 642713 NSAD PAR

Washington: Suite 850, 1776 G. Street, N.W., Washington D.C. 20006. Tel: 842-7900, Telex: 197655/67 ADIB BSH

Sydney: Suite 4115, Level 41, Australia Square Tower, Sydney, N.S.W. 2000. Tel: 251-3261/2, Telex: 177449 NSAD RO

DOMESTIC NETWORK: Abu Dhabi (16) • Ajman • Al Ain (5) • Dalma Island • Das Island • Diba • Dubai (2) • Fujairah • Khorfakkan • Madinat Zayed • Ras Al Khaimah (2) • Sharjah

بنك أبوظبي الوطني NATIONAL BANK OF ABU DHABI

ABU DHABI 2

Victor Mallet on the petroleum sector

Search for new outlets

*Oh, Quota, my worries over you
Are in my inner depths
engraved.
In all my meetings you appear
As a bomb fitted with a time
fuse.*

In you we disclose some figures
In secret notes, we hide others.
His words may have lost
something in the translation
from Arabic, but so wrote Dr
Mana Said al-Oteiba, poet and
Petroleum Minister of the
United Arab Emirates, about a
meeting of the Organisation of
Petroleum Exporting Countries
(Opec) in 1982.

Seven years later, the worries
remain. In November the
UAE won a small Opec quota
increase of 40,000 barrels a day,
taking its official production
limit up to 988,000 b/d. That
compared with actual output of
2m b/d - or more than double
its quota - at the end of last
year, and with public demands
from the UAE for a quota of
1.5m b/d to match its substantial
reserves.

The UAE is a chronic over-
producer within OPEC,
although it has begun to curb
its output in the first three
months of this year following
the latest Opec agreement, possi-
bly to below 1.5m b/d.

Whenever the UAE cuts its
production, it is Abu Dhabi
which bears the burden. The
emirate has 95 per cent of the
country's oil but only accounts
for about two thirds of its cur-
rent production. Most of the
rest of the output comes from
Dubai, which traditionally pro-
duces as much as it can, ignor-
ing Opec appeals and pleas
from Abu Dhabi.

Abu Dhabi can at least take
comfort from the fact that it
will have plenty of oil for
decades to come when Dubai's
reserves are long gone. In com-

mon with other Opec coun-
tries, the UAE has drastically
revised its recoverable reserve
figures. Abu Dhabi's estimate
has tripled to more than 82bn
barrels, and Dubai's has dou-
bled to 4bn, to increase UAE
leverage within Opec and to
take account of worldwide
technical advances which
allow higher recovery rates
from known reservoirs. Abu
Dhabi has also doubled its fig-
ure for gas reserves to reach
more than 180 trillion (million
million) cu ft.

More important in the short
term is Abu Dhabi's decision to
reorganise and centralise the
administration of its petroleum
sector. In June last year an 11-
member Supreme Petroleum
Council (SPC) was established
to replace the old Petroleum
Department and the board of
the Abu Dhabi National Oil
Company (ADNOC), which had
ill-defined and overlapping
areas of responsibility.

One effect of the changes,
which have been welcomed by
Abu Dhabi's foreign partners,
has been to increase the influ-
ence of the highly respected
US-educated Mr Suhail al-
Mazrui, now general manager
of ADNOC and secretary gen-
eral of the SPC.

In Abu Dhabi oil affairs Dr
al-Oteiba has been sidelined by
the recent changes, but he
remains responsible for Opec
affairs and is an SPC member.
The SPC is chaired by Sheikh
Khalifa, the Abu Dhabi Crown
Prince.

After a period of belt-tighten-
ing caused by the low prices of
recent years, the Abu Dhabi oil
industry is going through a
period of consolidation. Early
in 1989 only 11 drilling rigs
were operating onshore and
offshore - mostly on main-

nance and refurbishment work
- where previously there were
three times as many. If it
sticks anywhere near its Opec
quota, the UAE has plenty of
spare capacity, and little explora-
tion work is being done in
Abu Dhabi.

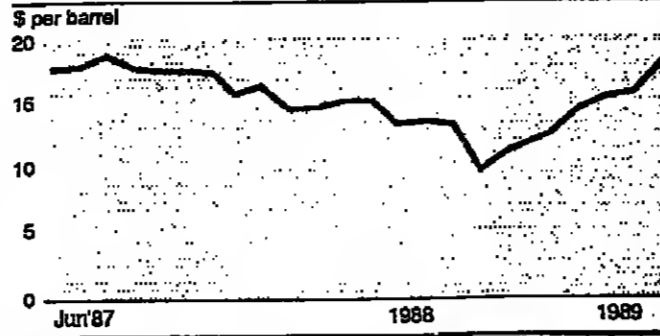
In the immediate future, the
most likely developments are
the de-mothballing of the dif-
ficult onshore Bab field (which
can produce more than 20,000
b/d of oil as well as associated
gas) and a decision to develop
an offshore gas field to secure
supplies to the Abu Dhabi Gas
Liquefaction Company (ADGAS).

Most of Abu Dhabi's oil is
produced onshore by the Abu
Dhabi Company for Onshore
Oil Operations (ADCO), which
is 60 per cent owned by the
state through ADNOC. The
other partners are BP, Shell,
Total CFP, Mobil, Exxon and
Partex. Abu Dhabi Gas Indus-
tries (GASCO), majority owned
by ADNOC with Shell, Total
CFP and Partex as the other
shareholders, uses onshore gas
to produce natural gas liquids
for export.

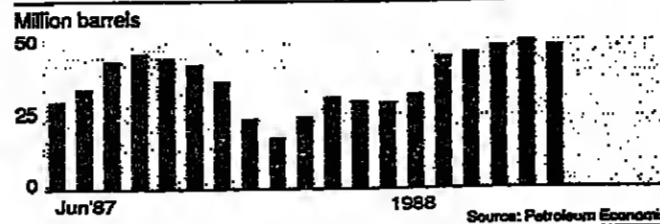
ADNOC has a 60 per cent
stake in the offshore Abu
Dhabi Marine Operating Com-
pany (ADMA-OPCO), with BP,
Total CFP and Jodco as its
partners. Also offshore is the
Zakum Development Company
which operates the huge but
difficult Upper Zakum field,
developed at the high cost of
some \$5bn.

ADGAS, using offshore asso-
ciated and non-associated gas,
exports liquefied natural gas
and liquefied petroleum gas
from its Das Island Plant.
ADNOC is the majority share-
holder in ADGAS, with BP,
Total CFP and Mitsui holding
the rest.

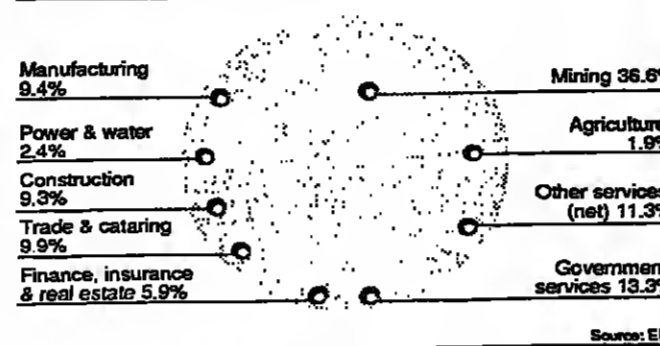
Abu Dhabi: Murban oil price



Oil production



GDP, 1987

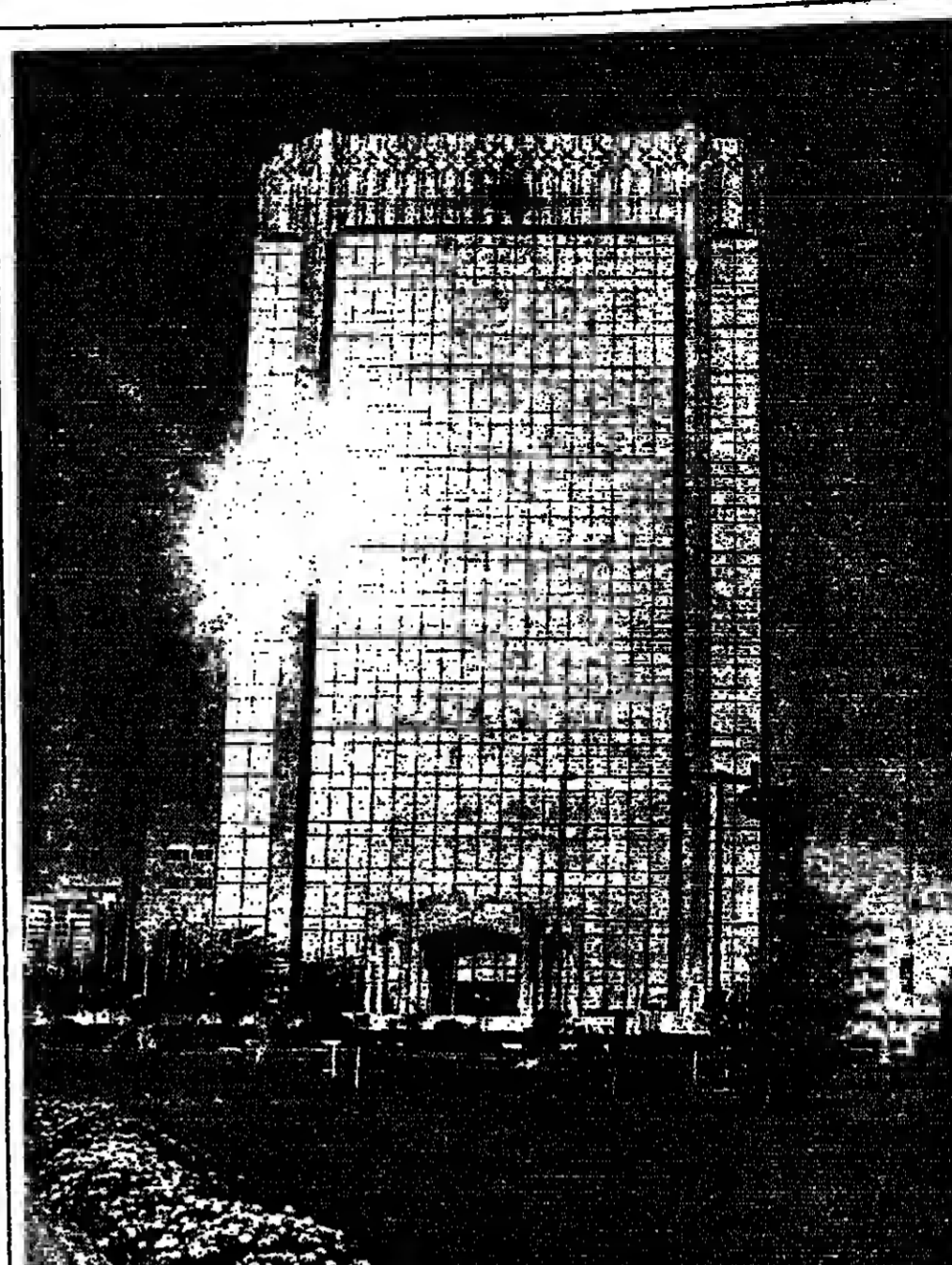


Abu Dhabi has a ready mar-
ket for its crude oil and gas in
Japan and elsewhere. However,
it has now begun to consider
the possible advantages of
adding value to its production
with petrochemical plants and
refineries, at the same time as
making downstream invest-
ments.

So far the emirate has moved
cautiously. It has a fertiliser
complex, and two refineries
with a total capacity of just
under 200,000 b/d, some of
which is for local consumption.
There are no immediate plans
for any more such projects at
home.

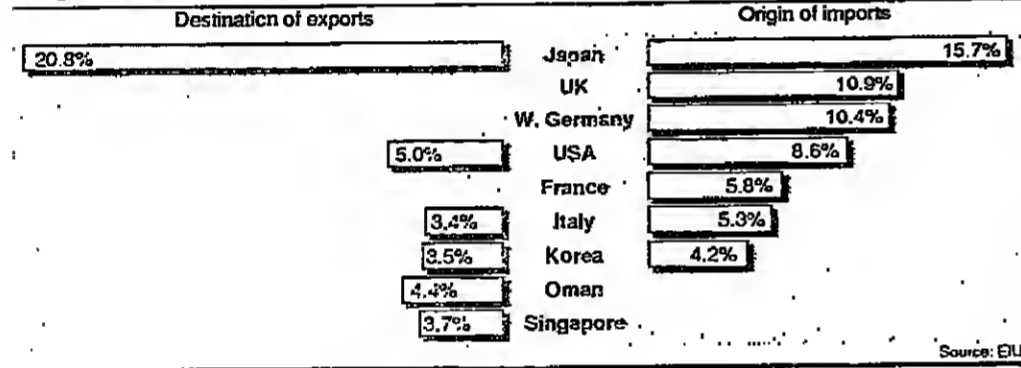
The International Petroleum
Investment Company (IPIC)
was formed in 1984 to make
investments abroad. It is
looking at about 15 proposals,
but its only purchase so far is
12 per cent of Compania Espan-
ola de Petroleos, a Spanish
refining company, which gives
Abu Dhabi an outlet for some
60,000 b/d of its crude oil
exports.

Mr Khalifa Mohammed al-
Shamsi, IPIC's managing direc-
tor, says that any investment
is conditional on the company
concerned reaching a crude oil
supply agreement with
ADNOC. "We are looking for
an alternative secure outlet for
part of Abu Dhabi's petroleum
exports," he says. "We have
quite a lot of offers from vari-
ous countries, but we are very
selective."



The new headquarters of the Arab Monetary Fund in Abu Dhabi's banking sector

Exports & imports, 1987



BANKING

A clash of interests

A YEAR ago, bankers in Abu
Dhabi thought that their long-
running problems with the
legality of compound interest
were about to be resolved.
They have since discovered
that they were wrong.
In the latter half of 1987, the
matter of interest was
addressed in two Commercial
Banking decrees - No 3,
signed by the ruler, Sheikh
Zayed bin Sultan al-Nahyan,
and No 4, signed by the Crown
Prince, Sheikh Khalifa. The
first stated that in the event of
a dispute over a loan, the rate
of interest agreed in the origi-
nal contract would apply up to
the time of a suit being filed.
Thereafter, the rate would be 9
per cent flat. This seemed
clearly to endorse the principle
of compound interest, assum-

account, excluding interest
debts, minus total credits.
This is extremely disadvan-
tageous to the banks. If a bor-
rower has had an overdraft for
a year and towards the end of
this time has repaid most of
the principal, it may be that
his bank's claim for outstand-
ing simple interest at 9 or 12
per cent will come to more
than 50 per cent of the sum
repaid principal. The problem
becomes much more severe,
and is much more likely to
arise, if an overdraft has been
running for several years.
There is a case still in the
courts of a Jordanian-owned
contractor, Cicon, which is
suing its banks, Grindlays and
Faribas, for the repayment of
compound interest on over-
draft facilities going back to
1968 and 1974.

It is accepted by bankers
that the ruler, Sheikh Zayed,
and his Chamberlain, Sheikh
Surour, who is also chairman
of the central bank, not to
mention the Central Bank offi-
cials themselves, realised that
eventually these anomalies
would have to be resolved. The
main reason for the delay is
that in the eyes of the ruler,
banking technicalities proba-
bly do not seem very impor-
tant, especially when society
around him seems so prosper-
ous. There is no doubt that he
is encouraged to hold to this
relaxed view by some of his
relations, who have consider-
able sums owing to the banks.
In the face of these difficul-
ties, for several years the
banks in Abu Dhabi have
become increasingly cautious
in their lending. The default
cases they have in the courts
almost all concern loans made
in the early and mid-1980s.

Within Abu Dhabi, banks are
very under-lent. Much of the
money they borrow in the state
they lend in Dubai, where they
find the legal system more
favourable and the borrowers
more sophisticated. Even
though Dubai, like Abu Dhabi,
is no more than reasonably
prosperous - neither state has
returned to anything like the
boom conditions of the early
1980s - there is less surplus
cash in Dubai and the rates
paid are higher.

**Within Abu Dhabi,
banks are very
under-lent. Much of
the money they
borrow in the state
they lend in Dubai,
where they find the
legal system more
favourable**

ing that had been part of the
original contract.
The second decree stated
that in no case should interest
exceed 50 per cent of principal.
Given that in the Arabian pen-
insular most lending is made
in the form of overdrafts, this
seemed bound to cause enor-
mous complications. Both the
first and the second decree
took for granted the legality of
simple interest, at 12 per cent
for corporate borrowers and 9
per cent for individuals, in
accordance with a Federal
Supreme Court decision of 1981.

In the months after publica-
tion, it was thought that the
partial contradiction between
the two decrees would be
resolved by the first law apply-
ing up to the date of judgment
of a case and the second
between judgment and settle-
ment, in which time interest
charges would be extremely
unlikely to grow to anywhere
near 50 per cent of the sum
outstanding.

Bankers were further reas-
sured by a decision - which
has stood - that banking dis-
putes should go before the civil
rather than the religious,
Sharia, courts. The civil courts
are no quicker than the relig-
ious ones and they are just as
liable to postpone cases at the
request of defendants. But
their proceedings are more
organised and they do at least
accept the idea of the legality
of interest.
As it has turned out, to the
great disappointment of bank-
ers, it is the second decree of
1987, No 4, that has come to be
the dominant one. The first
has been largely ignored.
The problem raised by the
second decree revolves around
the definition of principal. Nor-
mally, the definition has been
that it is total debts to an

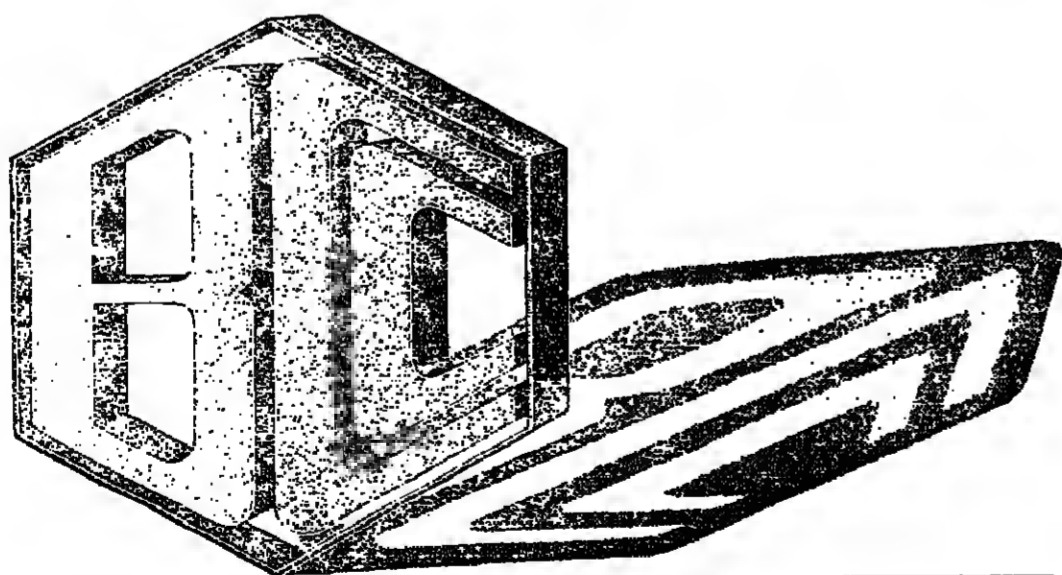
Michael Field

**A special commitment
to service**

Bank of Credit and Commerce (Emirates) incorporated in
Abu Dhabi, is a member of BCC Group which has offices in
73 countries with Capital Fund exceeding US\$1,450 million
and Assets US\$20,500 million.

It is committed to service - better service in Abu Dhabi, in UAE,
around the world. Speed, efficiency and your convenience are
what count at BCC. It may be handling of international trade or
issuance of travellers cheques, credit card or ATM service 365 card.

Contact us at any of our branches - there are 16 of them in UAE alone.



بنك الاعتماد والتجارة الامارات
BANK OF CREDIT AND COMMERCE
[EMIRATES]
P.O. BOX 3865, CORNICHE, ABU DHABI, UAE.
PHONE 236600. TELEEX: 23693 BCCA EM, FAX: 30765.

Serving UAE and its people

Branches in:
ABU DHABI - ALAIN - DUBAI - FUJEIRAH - RASAL KHAIMAH - SHARJAH.

**Make ANZ
and Grindlays
your banking
connection...**

Strength on the ground and experience are essential to make a successful international banking connection.

Australia and New Zealand Banking Group, which includes Grindlays Bank, has over 40 branches in the Middle East. Our representatives have in-depth first-hand knowledge of market conditions, and can advise you on doing business locally.

With close to 50 years experience in international banking in the area, we can be your highly effective banking link with the Middle East.

ANZ Bank is one of Australia's largest banks with assets in excess of US\$50 billion and over 1,600 branches and offices in more than 40 countries worldwide.

For over 150 years ANZ Bank has offered domestic and international corporate, merchant banking and trade finance services.

When you want to do business with the Middle East talk to ANZ or Grindlays at an office near you.

**...with the
Middle East.**

ANZ Worldwide

AUSTRALIA Australia and New Zealand Banking Group Limited 55 Collins Street, Melbourne, Victoria 3000 Tel: (03) 659 2955
UNITED KINGDOM Australia and New Zealand Banking Group Limited Minerva House, Montague Close, London SE11 9DH
Tel: 07-778 2121 Telex: 6912741
BAHRAIN Grindlays International Limited Offshore Banking Unit P.O. Box 20324 1st Floor Manama Centre Eastman 3 Manama
Bahrain Tel: 233210/254023 Telex: 9254 GILBAHN
Grindlays Bahrain Bank BSC (a) R.O. Box 793 Manama Centre Government Road Bahrain Tel: 250605 Telex: 6335 GRINDLY BN
IRAN ANZ/Grindlays Representative Office, 3rd Floor No. 37, Shahr-e Kerman Street (Ebn-Daryayeh Noor Street) Qasr Murtadha
Avenue Tehran Tel: 627878 Telex: 2133948
JORDAN Grindlays Bank plc P.O. Box 9997 Shmeisani Amman Tel: 660201 Telex: 21980 MNERVA JO
QATAR Grindlays Bank plc P.O. Box 3550 Rowd Tel: 703013 Telex: 339322 GIL GRINDLY QW
PAKISTAN ANZ/Grindlays Bank plc P.O. Box 5556 11, Chaudhry Road Karachi 2 Tel: 2412671 Telex: 23897 GINGMR PK
QATAR Grindlays Bank plc P.O. Box 3001 Rayyan Road Doha Tel: 327711 Telex: 4379 GMDATA DH
UNITED ARAB EMIRATES Grindlays Bank plc P.O. Box 4166 Deira Dubai Tel: 285643 Telex: 49305 MINSERV EM

ABU DHABI 3

DEFENCE

Arsenal yet to be fully tested

ACCORDING to the UK-based International Institute for Strategic Studies' annual estimates, the United Arab Emirates possesses a sophisticated array of modern armaments but only modest armed forces. Earlier this year the UAE signed a deal with France to purchase an unspecified number of Crotales surface-to-air missiles. It also has Hawk missiles with 30 improved launchers, and Rapier. The emirates are also expected to announce soon the conclusion of an agreement, again with France, for the purchase of 36 of the new Mirage 2000 jet fighters. At the moment the UAE has Mirage 5AD ground-to-air fighters as well as some British fighters. The army, which is organised into armoured, mechanised and infantry brigades, possesses heavy French AMX tanks as well as 80 Scorpion light tanks and some ferret scout cars, 105mm and 155mm towed artillery units and 120mm mortars. The navy has 15 patrol and coastal combat vessels.

The UAE is a heavy defence spender. At times about 40 per cent of the federal budget has been consumed by defence expenditure. The figure is almost certainly lower now, although Abu Dhabi is constantly re-equipping.

Abu Dhabi does most of the purchasing, deducting the cost of the hardware from its supposed contribution to the federal budget. Dubai, with its independent streak, has built up its own not inconsiderable military brigade.

Defence has always been a major preoccupation for the UAE. Although the British Government announced well in advance its decision to withdraw all its forces from the Gulf by 1971, ahead of the creation of the federation, the emirates' rulers nevertheless felt vulnerable, having taken the British presence for granted. This factor contrib-

uted to the establishment of the seven-emirate federation. The setting up of boundaries in the new state was made more difficult by the nomadic nature of the bedou population. British agents had to go around laboriously asking tribes where they considered their territories ended. The result is that even today the boundary map looks like a complicated jigsaw.

The boundary divisions are also important because over the years they have provoked disputes between the emirates, particularly Abu Dhabi, on the one hand, and Oman, Iran and Saudi Arabia on the other.

The Iran-Iraq war was another factor contributing to unease in the UAE. The country never took sides in the conflict, unlike Kuwait and Saudi Arabia which lined up unequivocally behind Iraq.

Defence has thus become such a priority that according to one European defence attaché, the "UAE has probably got more armaments than it can usefully use".

Despite its fears, the UAE does not seem to have carried out a full risk analysis. It is not clear, to western observers at least, how the large arsenal blends with the untested 40,000 strong army which appears better suited to fight in open territory against armed columns rather than any sort of insurgency.

The supreme commander in chief of the armed forces is Sheikh Zayed bin Sultan al Nahyan himself. His son, Crown Prince Sheikh Khalifa bin Zayed is the deputy supreme commander.

The army is a volunteer force and probably half of it is made up of foreigners, notably Moroccans. There are also many Jordanian and Pakistani officers, largely working on contract but few British officers, unlike in Oman's forces.

Stewart Dalby

	1st qtr '87	2nd qtr	3rd qtr	4th qtr
Abu Dhabi	17,665	18,567	24,233	49,461
Dubai	286,518	340,488	328,510	358,750
Sharjah	25,376	26,792	29,996	30,798
TOTAL	329,560	385,848	372,740	440,009

Sources: Abu Dhabi Government; Sharjah Customs Department

Michael Field on the changing face of the emirate

Skeikh Zayed's green revolution

WHEN visitors travel to Abu Dhabi, they see no sign of an oil industry, unless they drive into the desert or go offshore. They see little evidence of great personal wealth, and they certainly do not see casinos or tents unless they look for them.

Instead, they are most impressed by large areas of grass, flowers, trees, sprinkler systems and fountains - made extra green in places by being flooded at night. Much of the drive into town at night could be mistaken for the route from the airport in Singapore. The view is one of tropical trees, pink flowers and deeply-cut, litter-free grass.

The idea of greening Abu Dhabi is entirely Sheikh Zayed bin Sultan al-Nahyan's, the UAE President and Ruler of Abu Dhabi. Before he became ruler in 1966, Sheikh Zayed was governor of the al-Ain oasis, and there he conceived a great love of green things that is very typical of desert Arabs. It is said now that when he is in the desert he instructs his driver to avoid running over bushes.

When the British pushed him into replacing his brother,

who had been refusing to spend his oil revenues on development because he feared his new wealth would be short-lived, Sheikh Zayed promptly decided to invest part of his fortune on introducing al-Ain's greenness to the rest of the state.

This did not seem a very practical idea at the time. Abu Dhabi not only had no modern buildings - it was composed of a coral fort, some similar houses and a collection of Darsid huts - it also had no plant life apart from a few palm trees. Its soil was subkhla - sandy salifert on top of coral rock. It is the infertility of Abu Dhabi, which has much less natural potential for cultivation than Riyadh or Bahrain, which make the new garden cities so extraordinary.

Within the municipality area on Abu Dhabi island there are now 1,370 hectares of grass and woodland, and in 10 years' time there will be half as much

again. Outside the municipality, in the western region of the state, which excludes the al-Ain/Buraimi oasis, there are 100,000 hectares of agricultural land and forest.

In the desert, where afforestation is used to stop sand encroaching on roads and villages, the trees are fed by well water enriched by fertiliser. With this they grow well on the sand.

In Abu Dhabi city, an artificial soil has to be put down. For grass and flowers this is 45 cm of desert sand, with the top 10/15 cm being mixed with compost. Bushes and trees need between 70 cm and 80 cm of sand.

The municipality now runs its own compost factory which uses garbage, grass clippings and leaves, and adds to them the real fertiliser from the plant at Ruwais. In the early days compost/manure was imported from India, but this has now stopped.

The rather strong "agricultural" smell one sometimes notices in the green areas of Abu Dhabi comes from compost having sometimes to be used within two months of manufacture. If it is older, it is odourless.

The plants that grow well on municipality soil are typical hot country urban plants - various varieties of Bermuda grass, hollyhocks, marigolds, petunias, bougainvillea and oleander. Individuals are given free plants, as well as soil, and the municipality will send advisers to private houses, if requested, and teams of planters to mosques and schools.

In Abu Dhabi town, municipal green areas, mostly fed by automatic sprinkler systems, consume 23m gallons of water a day. Contrary to popular belief, this is not desalinated sea water: it is "treated" water, recycled from sewage. The human consumption of water

(desalinated) in the town is several times that of plants and trees.

Some 4,000 gardeners, three per hectare, are employed by the municipality. The forests outside the town are tended by one labourer for every 20 hectares.

The cost of the whole programme is difficult to calculate, but, given that compost and sewage treatment plants are one-off investments and the wages of Baluchi gardeners are low, it is probably less than people imagine. In the desert, where there are fewer operations involved, the cost per tree is easily established from the amount the authorities pay forestry contractors. During the first three years of a tree's life the cost, including planting, is a bit under £20 about £5 a year.

There is obviously little point in trying to judge whether greening is worth while, because anyone's

AGRICULTURE

Trapped in a familiar cleft stick

"WE ARE not like Saudi Arabia, we do not believe in producing wheat at three times the market price," says Mr Saied al-Baghiani, the UAE Federal Minister of Agriculture.

It is true that the UAE produces only a small amount of wheat and imports the rest of its needs, much of it from Australia. But when it comes to other agricultural activity the country finds itself in the same cleft stick as several other Gulf states. If it wants an agricultural industry - and it does - it can only really achieve one, given low rainfall, arid soil and scarcity of natural water, at uneconomic costs.

This is not immediately apparent to the visitor to the emirates. The UAE is now self-sufficient in winter vegetables, producing 160,000 tonnes of tomatoes, cucumbers, onions, sweet potatoes, cauliflowers, egg plant and so on. Among fruits it produces dates, strawberries - most of which are exported - mangoes and some citrus fruits.

Having produced 164m eggs last year the country is 70 per

cent self-sufficient in eggs. Poultry production totalled 12,398 tonnes in 1988 making the country 45 per cent self-sufficient. The emirates easily catch as much fish as they consume, 85,410 tonnes last year. Fishing is entirely inshore and largely carried out by small fleets of dhows. The industry would export fish if the marketing mechanisms existed.

Virtually all agricultural production is around the al-Ain/Buraimi oases in the eastern sector of Abu Dhabi territory near the border with Oman. Some farming also takes place in Ras al-Khaimah and in and around Fujairah.

In al-Ain locally produced vegetables are cheaper than equivalent imports, even after their 50 per cent mark-up. Dried fish is very cheap, spring onions cost Dh2 a kilo, tomatoes Dh1.25, sweet potatoes Dh2, and eggplant Dh4.

But at what cost are they produced? So keen has the government been to develop agriculture and draw farmers into feasible sectors that it has offered lavish subsidies. This has had a severely debilitating

effect on scarce water resources.

Under the government's incentive package, the number of farmers has increased rapidly. Last year there were 18,265 compared with 4,000 in the early 1980s. The cropped area today is put at 49,000 hectares (excluding the area covering trees and artificial forests which is estimated at 171,000 hectares). The Federal Ministry of Agriculture says an additional 60,000 to 70,000 hectares could be farmed if water were made available.

To attract people to the land (and they have to be native Abu Dhabians) the land is given either free or at a knock-down cost. When the farmer is settled, seeds, seedlings and pesticides are given free. The first irrigation pump and engine are also given free of charge and further purchases are subsidised.

There are at least 15 government-owned centres around al-Ain which have trained agronomists offering advice on farming techniques and protection from diseases. The government is also looking at the problem of marketing produce,

particularly tomatoes. Such was the wastage that the Government built a plant to produce tomato paste. The authorities will have to find ways of improving marketing, especially in moving goods from farms in al-Ain to Abu Dhabi.

But above all it is the rapidly dwindling supplies of water from the al-Falaj system and from underground which form the main constraint. The farming expansion in recent years led one foreign agricultural adviser in al-Ain to estimate that the rate of water extraction could easily have been 10 times that of replacement.

According to a government master plan on water resources in al-Ain and its environs: "It was evident even in 1983 that extractions had exceeded the rate of replenishment for at least a decade and that groundwater reserves were being mined."

It is estimated that water reserves will be fully consumed by about 1999, and even if the groundwater reserves have been underestimated by a factor of two, exhaustion would be delayed by only six to seven years.

The aquifers are beginning to suffer a salinity problem as the water table drops, so the authorities will have to re-evaluate their policy. Already there are plans to pipe desalinated water in from the coast.

The government of Abu Dhabi wants to expand its agricultural base. This is not just because of the stated reason of having "food security", but also probably because it gives many native Abu Dhabians an interest and vocation. Abu Dhabi still has money to spend despite the fall in the oil price and it sees no reason why it should not use it to subsidise agriculture.

Stewart Dalby

	1st qtr '87	2nd qtr	3rd qtr	4th qtr	1st qtr '88	2nd qtr
Abu Dhabi	1,215,556	1,418,565	1,275,143	1,666,896	1,750,151	1,412,218
Dubai	4,332,461	4,954,903	4,788,092	4,786,603	5,233,373	5,676,145
Sharjah	540,543	554,035	468,888	495,706	485,940	683,554
TOTAL	6,088,560	6,927,523	6,532,124	6,979,205	7,469,464	7,771,917

Sources: Dubai, Abu Dhabi Governments; Sharjah Customs Department

	1st qtr '87	2nd qtr	3rd qtr	4th qtr	1st qtr '88	2nd qtr
Abu Dhabi	369,020	345,420	296,043	387,808	451,817	563,788
Dubai	1,309,323	1,440,850	1,250,785	1,238,786	1,185,847	1,470,618
Sharjah	68,295	35,928	50,141	113,669	80,687	46,825
TOTAL	1,746,638	1,822,298	1,596,969	1,740,263	1,718,351	2,081,234

Sources: Dubai, Abu Dhabi Governments; Sharjah Customs Department

بنك أبوظبي التجاري
Abu Dhabi Commercial Bank

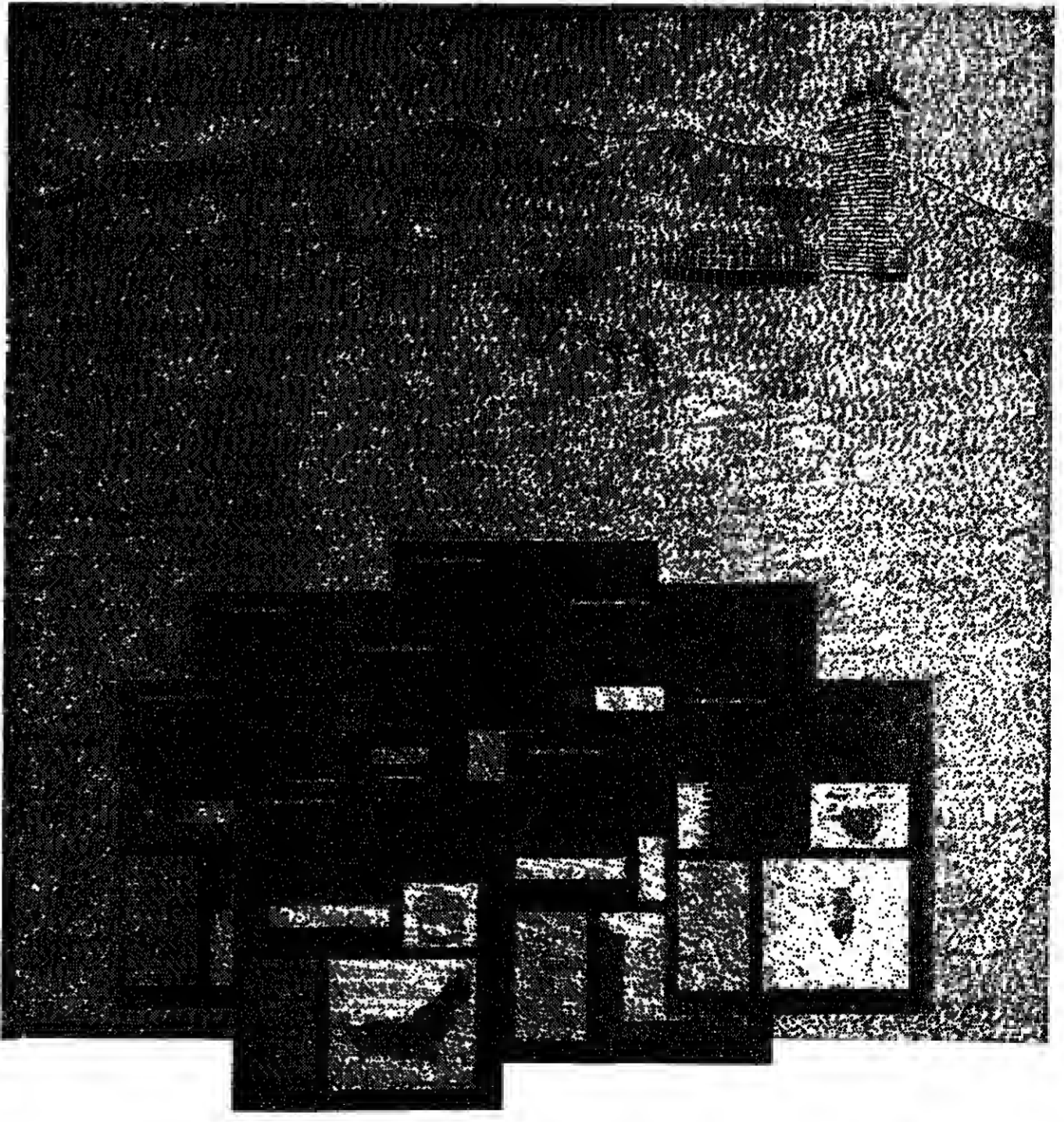
(Millions of US Dollars)	31.12.88	31.12.87	31.12.86
Total Assets	2 528	2 157	1 970
Loans and Advances (Net)	1 389	1 192	1 104
Placements with Banks	656	486	444
Trading Account Securities	86	107	60
Shareholders' funds	353	335	324
Deposits from Banks	415	392	346
Deposits from Customers	1 382	1 052	928
Long Term Funds	354	354	354

	1988	1987	1986
Net Interest Income	38	31	2
Other Income	9	7	10
Operating Expenses	23	23	25
Net Profit (Loss)	19	11	(18)

We are a large bank with 24 branches and offices in the U.A.E., a full-fledged branch in Bombay (India) and a Representative office in London (U.K.) - Our paid up capital is Dh. 1,250 Million (US\$ 340 Million). 60% of our capital is held by Government of Abu Dhabi.

- We provide full banking service in the U.A.E. and Bombay (India).
- We provide interested business entities with market information.
- We provide interested business entities with information on joint venture opportunities in the U.A.E.

Re: points 2 and 3, please write to:
ABU DHABI COMMERCIAL BANK
 Corporate Banking Group
 P.O. Box 939 Abu Dhabi, United Arab Emirates
 Tel: 721122, 722846 & 725334
 Tx: 22244 ADCBCR EM, Fax: 776489, Reuter Code ADCU, Telex Code: 3358
 Bombay Branch: Rahmat Manzil, 75-B Veer Nariman Road
 P.O. Box 11248, Bombay 400 020, Tel: 91 (022) 223866, Tx: 11-5481
 ADCB IN.
 Fax: 91 (022) 22535



Explore

If you're considering business in the Arab world, talk to The British Bank of the Middle East first. As part of the HongkongBank group, we have over a century's international banking experience in opening up new markets. Our Business Profiles in Arab countries, which come as a direct result of intimate market knowledge, are only one example of the many specialist services that we provide.

Today, with 1,300 offices in more than 50 countries, concentrated in Asia, the Middle East, Europe and the Americas, the HongkongBank group gives you access to a complete range of financial services. The group's presence also extends to Saudi Arabia and Egypt, through its associate banks, The Saudi British Bank and Hongkong Egyptian Bank S.A.E. For a copy of the Business Profile that interests you, write to us at Box 64 G.P.O. Hong Kong, or any branch of The British Bank of the Middle East.

The British Bank of the Middle East

Bahrain India Jordan
 Lebanon Oman Qatar Switzerland
 United Arab Emirates United Kingdom

www.hongkongbank.com

Equities wary ahead of RPI number

IT WAS a subdued trading session on the London equity market yesterday as investors measured the implications of the proposed Beecham-SmithKline Beckman merger and braced themselves for the disclosure this morning of the latest data on UK inflation.

A market generally lacking support clinched at the announcement that UK earnings statistics for February showed an underlying rise of 3.2 per cent but soon steadied in the absence of any significant selling pressure. The rate of earnings growth was regarded as discouraging in the market, although not far out of line with analysts' forecasts.

Speculation of a major stake changing hands lifted the long-dormant Sears several points in busy midday trade. The initial talk was that part of the Al Fayed brothers' 10 per cent holding in Sears had been placed with a single buyer outside the market. Later the report emerged that the entire stake - nearly 180m shares - had been passed on, supposedly to financier Sir James Goldsmith. These unconfirmed reports were enough to send the shares immediately higher to a peak of 12 1/4.

However, it did not take long for dealers and analysts alike to pour scorn on the story. There was no logic for the Al Fayed's taking a sizeable loss on the stake, said one sceptical stores researcher, particularly now when a disposal of the holding would only be seen as a panic sale.

Account Dealing Dates table with columns for Deal Date, Open Dealings, and Account Dealing Dates.

Given the recent strong showing by crude oil prices, BP are obviously looking at a strong first quarter. And that goes for Shell too, said one industry observer.

Another heavy trading session was recorded by Beecham, with 4.5m shares traded and the shares easier but volatile as traders sought the new market level for the stock. After touching 614p and 609p, the shares ended at 619p, a net 5 off.

Analysts indicated that, barring new developments, both Beecham and SmithKline have appeared valued normally at current levels, where they are likely to remain until either the merger is effectively consummated or there is any clear sign that a third party intends to take a hand in the game.

Nonura suggested that its clients hold central weightings of Beecham and SmithKline for the time being, since "in no scenario will both fall," commented Dr Erling Refsum of the pharmaceuticals team.

By Mr Nigel Lawson, the UK Chancellor of the Exchequer, for the peak in UK inflation for the year. Nervousness was not helped by weakness in Tokyo overnight on hints that the Japanese discount rate could be forced higher, and by yesterday's rise in Swiss rates.

With the US trade figures for February also due today, some London market strategists expressed concern over these renewed pressures on international interest rates. Some analysts believe that UK rates might be held steady even in the face of a 8 per cent domestic inflation but are more vulnerable to developments elsewhere.

Prudential continued to prompt some major two-way activity in the shares which initially edged ahead to 179p before slipping back to end a highly active trading session unchanged on balance at 17 1/2p.

The minor changes in the share price disguised the huge business going on, said one dealer. "A single trade of 7.5m shares went through the market, very impressive in this day and age, and that was followed by some other big lumps of stock."

Persistent talk that Abbey National may be considering a bid kept London and Manchester on the boil and the shares rose 5 pence to 274p.

Industries and Costain. BCI came out with preliminary pre-tax profits of £203.1m compared with last year's £155m. "Tremendous results" was the description offered by one trader in the stock, but persistent profit-taking undermined the share price which eventually settled a net 15 off at 549p on turnover of 2.4m.

Worries about the continuing price war in the plasterboard market upset BPB which retreated 5 more to 244p. "Business in Europe and North America is tough and the outlook is worsening," said one analyst.

The news that Great Universal Stores (GUS) purchased 150,000 of its own non-voting "A" shares on Wednesday at 960p helped GUS "A" climb sharply to 509p, up 20 on the day.

British Telecom and Cable & Wireless were resilient markets both ending fractionally better in good turnover. British Telecom closed higher at 271p on 5.5m and Cables 3p up at 470 1/2p on 3.6m.

Johnson Matthey went on a run too, gaining 15 to 889p, as old stories came to the surface of share stake changes leading to a bid for the company. Charter Consolidated is the major shareholder, but Cookson also holds a stake.

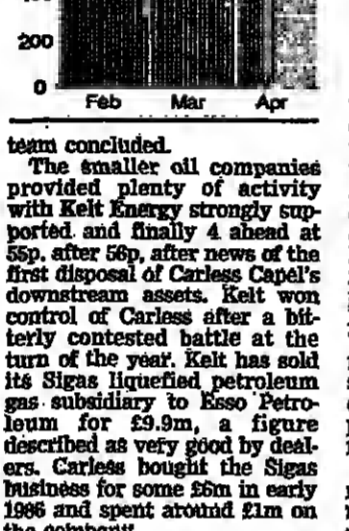
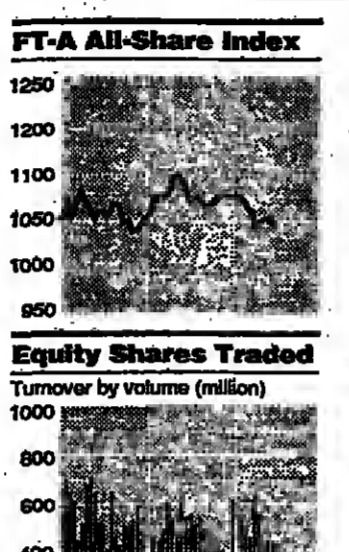
FINANCIAL TIMES STOCK INDICES table with columns for Index Name, Apr 13, Apr 12, Apr 11, Apr 10, Apr 7, Apr 6, Apr 5, Apr 4, Apr 3, Apr 2, Apr 1, High, Low, Since Compilation.

S.E. ACTIVITY table with columns for Index Name, Apr 12, Apr 11, High, Low.

TRADING VOLUME IN MAJOR STOCKS table with columns for Stock Name, Volume, Change, High, Low, Day's Range.

128 1/2p after a Reuters report said that Rolls Royce had increased its stake in NEI to 15.5 per cent after acquiring 3.85m shares on Wednesday at 127p a share.

Unigate were a good market, closing 5 better at 365p. There was some talk of new Irish buying, but with turnover standing at little more than 1/2m shares dealers said that short positions in the market had forced the price higher.



NEW HIGHS AND LOWS FOR 1989 table with columns for Stock Name, Price, and Date.

APPOINTMENTS table with columns for Name, Position, and Details.

Chairman of Evered

Sir Peter Parker (right), chairman of Rockware and former chairman of British Rail, has been appointed to the board of quarry products group EVERED.

Chairman of Hill Samuel

HILL SAMUEL INVESTMENT SERVICES GROUP has appointed Mr Derek Fitch as chief executive of its direct sales subsidiary Hill Samuel Investment Services.

Chairman of Kvaerner

Mr Eric Newman has been appointed managing director of Simon-Carves, part of the SIMON GROUP.

FT FINANCIAL TIMES CONFERENCES COMMERCIAL AVIATION AND AEROSPACE - Towards the Year 2000 6 & 7 June, Paris. Includes contact information and speaker list.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-923-2128

AUTHORISED UNIT TRUSTS

Main table containing unit trust information with columns for Unit Name, Unit Price, and other details. Includes sub-sections like 'Barrage Unit Trust Managers Ltd (09050F)', 'Equitable Unit Trust Managers Ltd (09050F)', etc.

GUIDE TO UNIT TRUST PRICING. Section explaining the calculation of unit prices, including formulas for Net Asset Value and Unit Price, and details on initial charges and forward pricing.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Handwritten note: "Unit Trusts" in a box.

Main table of Unit Trust information with columns for Name, Code, Price, and other details. Includes sections for 'OTHER UK UNIT TRUSTS' and various trust names like 'Windsor Trust Funds Ltd', 'City of Edinburgh Life Assurance', etc.

INSURANCES

Table of insurance products including 'AA Priority Society', 'Aberly Life Assurance Co Ltd', 'Aberly Life Assurance Co Ltd', etc.

Main table of insurance products including 'AA Priority Society', 'Aberly Life Assurance Co Ltd', 'Aberly Life Assurance Co Ltd', etc.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Price Booklet ring the FT Cityline help desk on 01-925-2125

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', 'GUERNSEY (SB RECOGNISED)', 'LUXEMBOURG (SB RECOGNISED)', 'SWITZERLAND (SB RECOGNISED)', 'BERMUDA AUTHORISED', and 'JERSEY (SB RECOGNISED)'.

Handwritten signature or note at the bottom of the page.

Handwritten note: "مذاكرات" (Muzakkarat)

FT UNIT TRUST INFORMATION SERVICE

Main table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, and % Change.

LONDON SHARE SERVICE

Table of London Share Service, including sections for British Funds, Americans, Int. Bank and O'Seas, and Foreign Bonds & Rails.

Table of Money Market Trust Funds and Bank Accounts, listing various financial products and their details.

Money Market Trust Funds and Bank Accounts section, including a note about the FT Unit Trust Information Service.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Strong demand for D-Mark

THE WEST German D-Mark rose sharply in currency markets yesterday, following the appointment of Mr Theo Waigel as the new West German Minister of Finance...

oo direct dollar sales but made sure of its presence by asking for quotations in the market. The dollar's upward potential is likely to be limited in early trading today before the release of US producer prices for March and trade figures for February.

bank base rates may be pushed higher in order to control inflation. The pound's exchange rate index finished at 95.5, unchanged from the close on Wednesday. A fall of 30,600 in the number of unemployed in March served as a further reminder of the buoyant state of the economy.

FINANCIAL FUTURES

German bonds set record

TURNOVER IN West German Government bonds was at a record level on Friday. Volume was an estimated 34,835 contracts, compared with the previous peak of 29,869 on March 7. Liffe reported that volume in general was active at around 120,000 lots for all contracts.

peak of 93.93, on expectations that the Government in Bonn will modify rules on withholding tax. The tax was introduced in January and has led to a flight of capital from West Germany. The June contract fell back on profit taking, to close at 93.65, but still finished above Wednesday's finish of 93.34.

weakened on news that UK average earnings rose a larger than expected 9 1/4 per cent in February. The market was expecting an unchanged rise of 9 per cent, and the published figure pushed June short sterling down through a technical support level of 86.57, the previous record low for the contract. It closed at 86.53, compared with 86.61 on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Unit, Rate, % change from previous, % change against ECU, Divergence %.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Date, Spot, Forward, % change, % change against ECU, Divergence %.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Date, Spot, Forward, % change, % change against ECU, Divergence %.

EURO-CURRENCY INTEREST RATES

Table with columns: Currency, Term, Rate, % change.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, % change.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate, % change.

MONEY RATES

Table with columns: Instrument, Rate, % change.

LONDON MONEY RATES

Table with columns: Instrument, Rate, % change.

LIFE LONG CALL FUTURES OPTIONS

Table with columns: Strike, Call, Put, % change.

LIFE US TREASURY BOND FUTURES OPTIONS

Table with columns: Strike, Call, Put, % change.

LIFE 5% STRIPS

Table with columns: Strike, Call, Put, % change.

LIFE EUROBOBBLER OPTIONS

Table with columns: Strike, Call, Put, % change.

LIFE SHORT STERLING

Table with columns: Strike, Call, Put, % change.

PHILADELPHIA SE 6% STRIPS

Table with columns: Strike, Call, Put, % change.

LONDON (LIFFE)

Table with columns: Instrument, Price, % change.

2-YEAR 9% NATIONAL GILT

Table with columns: Instrument, Price, % change.

CHICAGO

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

JAPANESE YEN (MM)

Table with columns: Instrument, Price, % change.

SWISS FRANC (MM)

Table with columns: Instrument, Price, % change.

DEUTSCHE MARK (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

THREE-MONTH EUROBOBBLER (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

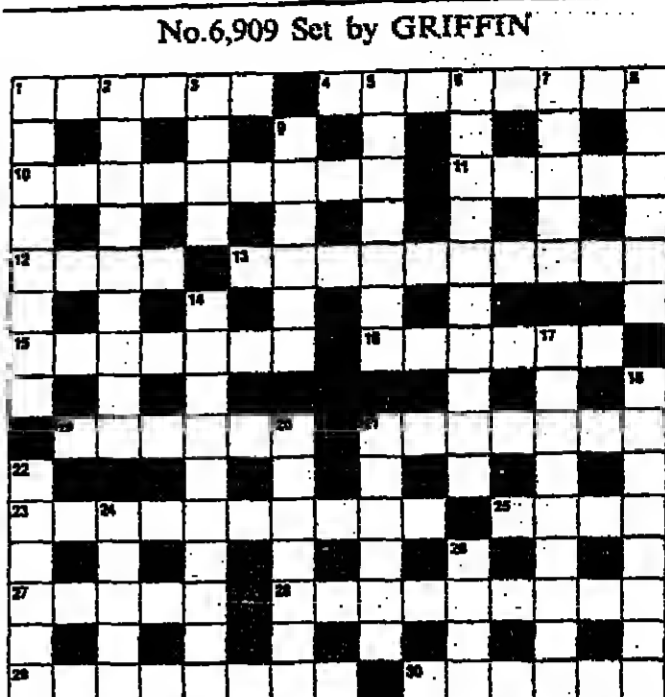
U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

U.S. TREASURY BILLS (MM)

Table with columns: Instrument, Price, % change.

CROSSWORD



ACROSS 1 Fuzzler inserted "Buffalo Bill" for humour (6) 2 Mum blames cook for mess (6) 3 Cloning condition before Eric replaced craftsman (9) 4 Inadequate toilet in some beastly place (6) 5 She's from Ireland, not Southern (4) 6 A terrible pittance, I expect (10) 7 Cheerful copper admitted being the messenger (7) 8 Abandoned Otto at a military display (10) 9 Slough, in which a piano is modified (6) 10 Caught one taking heat back to reservoir (7) 11 House poor Nora moved into on famous street (10) 12 Having English flag in front is prudent (4) 13 See 11 across 14 Maybe she wore it differently (9) 15 Personal gift of charm is a disaster (8) 16 Fancy Marti knowing a very old woman (9) 17 Stupid crane for going up the West End (4) 18 Muslim working on his part (7) 19 Cambridge banker stands over hot sink (cracked, but it's waterproof) (10) 20 Walk up to a wool producer (6) 21 Being against going in hers I foolishly shake (6) 22 Inadequate toilet in some beastly place (6) 23 Battered tin Rene put for cleaning paint brushes in (10) 24 Theatre happening turned into musical entertainment (first) (8) 25 Poor Edna takes very little money gross (8) 26 City editor set out on time (7) 27 Fool man with dress (6) 28 Pam is prepared to accept cold prawns (6) 29 Where people box jellyfish (5) 30 Coming up to jabber about right to beg (4) Solution to Puzzle No.6,908

JOTTER PAD

FINANCIAL TIMES GUIDE TO INVESTMENT TRUSTS by Anthea Massey. Investment trusts are one of the best kept secrets of the investment world. This guide has been written to dispel the mystique and provide the investor with clear and concise information on how to move into and maximise the advantages of this long-established sector of the investment industry.

MONEY MARKETS

Swiss rate rise

INTEREST RATES had a firmer tone in Europe yesterday, as Switzerland and the Netherlands moved to stem the decline of the Swiss franc and counter the rise of the D-Mark. The Swiss National Bank announced a rise of 1/2 per cent to 4 1/2 per cent in its discount rate. The Lombard rate was increased by 1 per cent to 7 per cent. The last rise in Switzerland's two key interest rates was on January 20.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate, % change.

MONEY RATES

Table with columns: Instrument, Rate, % change.

LONDON MONEY RATES

Table with columns: Instrument, Rate, % change.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate, % change.

MONEY RATES

Table with columns: Instrument, Rate, % change.

LONDON MONEY RATES

Table with columns: Instrument, Rate, % change.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate, % change.

MONEY RATES

Table with columns: Instrument, Rate, % change.

LONDON MONEY RATES

Table with columns: Instrument, Rate, % change.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate, % change.

MONEY RATES

Table with columns: Instrument, Rate, % change.

LONDON MONEY RATES

Table with columns: Instrument, Rate, % change.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate, % change.

MONEY RATES

Table with columns: Instrument, Rate, % change.

LONDON MONEY RATES

Table with columns: Instrument, Rate, % change.

FT LONDON INTERBANK FIXING

Table with columns: Currency, Rate, % change.

MONEY RATES

Table with columns: Instrument, Rate, % change.

LONDON MONEY RATES

Table with columns: Instrument, Rate, % change.

Handwritten Arabic text: "سوقنا هو الحل"

WORLD STOCK MARKETS

AUSTRIA

Table of Austrian stock market data including company names and prices.

FRANCE (continued)

Table of French stock market data including company names and prices.

GERMANY (continued)

Table of German stock market data including company names and prices.

ITALY (continued)

Table of Italian stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

SWEDEN

Table of Swedish stock market data including company names and prices.

SWITZERLAND

Table of Swiss stock market data including company names and prices.

CANADA

Table of Canadian stock market data including company names and prices.

BELGIUM/LUXEMBOURG

Table of Belgian and Luxembourg stock market data including company names and prices.

DENMARK

Table of Danish stock market data including company names and prices.

FINLAND

Table of Finnish stock market data including company names and prices.

IRELAND

Table of Irish stock market data including company names and prices.

JAPAN

Table of Japanese stock market data including company names and prices.

SPAIN

Table of Spanish stock market data including company names and prices.

INDICES

Table of various stock indices including DOW JONES and others.

NEW YORK

Table of New York stock market data including DOW JONES and other indices.

FRANCE

Table of French stock market data including company names and prices.

GERMANY

Table of German stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NETHERLANDS

Table of Dutch stock market data including company names and prices.

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for Stock, Div., High, Low, Last, and Change. Includes a handwritten note 'Just in time' at the top.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices April 13

Table of Over-the-Counter prices with columns for Stock, Div., High, Low, Last, and Change.

AMEX COMPOSITE PRICES

4pm prices April 13

Table of AMEX Composite Prices with columns for Stock, Div., High, Low, Last, and Change.

Table of AMEX Composite Prices with columns for Stock, Div., High, Low, Last, and Change.

Advertisement for 'Travelling by air on business' with text about enjoying reading your complimentary copy of the Financial Times while on scheduled flights.

AMERICA

Dow dips as investors wait for set of key statistics

Wall Street

THE EQUITY market yesterday ran out of steam and fell quite sharply before today's clutch of economic data, after two days of gains mostly because of takeover speculation, writes Janet Bush in New York.

The Dow Jones Industrial Average ended near its lows for the session to be quoted 23.65 points down at 2,386.00. Volume was light with only 141m shares changing hands.

There was some drag from other financial markets, where the dollar weakened and bonds declined despite a neutral to reasonably positive set of retail sales figures. The dollar was quoted in late trading at 152.05 compared with an earlier high of 153.30 and at DM1.8750 from DM1.8850 earlier. Bonds were quoted as much as 1/4 point lower.

Retail sales rose 0.1 per cent in March, in line with expectations, while February's decline of 0.4 per cent was revised to a fall of 0.5 per cent. Another factor in yesterday's stocks weakness appeared to be technical. The modest rallies on Tuesday and Wednesday had taken the Dow to a

high of 2,330 early on Wednesday, above the trading range of 2,250 to 2,300 which had prevailed since early last week. However, according to Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, the market was about to run into another technical resistance area in the range between 2,325 and 2,365 where three rallies have stalled so far this year.

In more general terms, after a reasonable performance in the latter part of this week, traders were concerned to take a neutral position before today's economic figures. Of these, the key ones are the February merchandise trade balance and the March producer prices index (PPI).

Mr Wayne Angell, Fed Governor, said earlier this week that an increase in commodity prices in the fourth quarter of last year could have an effect on the March PPI, which is forecast to have risen by around 0.5 per cent after successive gains of 1 per cent in January and February. The consensus of forecasts for the trade balance is for a deficit in February of \$1.04bn compared with the shortfall in January of \$9.5bn. Blue chip issues were

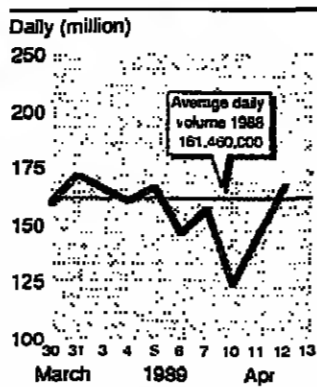
broadly weak, with International Business Machines falling 1 1/2% to \$109 1/4. Procter & Gamble down 3/4% at \$91 1/4, Philip Morris slumping 3/4% to \$117 1/4 and Merck dropping 3/4% to \$85 1/4.

The banking sector was also weak as disappointing results from Chemical Bank added to the gloom of lower results from JP Morgan. Chemical dropped 3/4% to \$34 1/4. JP Morgan slumped another 1 1/4% to \$55 1/4 and Citicorp slipped 3/4% to \$28 1/4.

Technology issues started quite well, building on strength earlier this week, but they succumbed to broader market weakness. Cray Computer added 3/4% to \$83 1/4 and Intel, which reported net income in the first quarter of \$2 cents a share, fell 3/4% to \$28 1/4.

Among featured individual stocks was Dow Chemical, which added 3/4% to \$91 1/4 after the company announced that it planned to repurchase 12m common shares. Freepoint-McMoran rose 3/4% to \$37 as it launched a Dutch auction of up to 15m common shares at a price to be set between \$35 and \$40 a share. Mickelberry, the advertising agency group, jumped 3/4% to

NYSE volume



87% after it rejected an \$8.50-a-share offer from RFLR Group, the major stockholder of Wellington Advertising. RFLR has said it is considering whether to raise its offer to \$10.50 a share.

Canada

SLUMPING industrials, forest products and pipeline issues outweighed buying among golds and management companies to drive Toronto stocks prices to a lower close.

Stronger gold stocks reflected a rise in the bullion price in futures contracts on the New York Commodity Exchange.

The composite index dropped 13.0 to 3,555.7 as losses outweighed gains by 373 to 351 on 144 volume of 22.5m shares. Heavily-weighted blue chip issues were mixed. BCE Inc topped the list of leading active traders, slipping 0 1/4% to C\$87.

ASIA PACIFIC

Rate fears send Nikkei into retreat

Tokyo

A SCARE over interest rates made investors jittery and share prices fell heavily on profit-taking in thin trading, writes Michio Nakamoto in Tokyo.

The Nikkei average tumbled 192.51 points to 33,083.94. During the day it had reached a high of 33,336.18 and plunged to a low of 32,551.06. Declines led advances by 522 to 378 while 193 issues were unchanged. Turnover fell to 846m shares from 1.12bn on Wednesday.

The Topix index of all listed shares also retreated, losing 11.18 to 2,453.21 and, in London, the ISE/Nikkei 50 index fell 9.38 to 1,823.61.

Reports that Saudi Arabia would cut its shipments of crude oil to Japan raised fears that this would lead to higher oil prices, in turn fuelling rises in inflation and interest rates.

A rumour that the Bank of Japan had asked a securities house how an increase in the official discount rate would affect the market fanned speculation that the central bank was ready to make such a move. Mr Masao Sumita, Governor of the Bank of Japan, had made a speech earlier stating that the bank was prepared to raise interest rates if necessary - his phrasing was

ambiguous enough for the market to interpret it as meaning the bank intended to do so.

The weakness of the Nikkei average was attributed mainly to a lack of buying by individual investors, who have been the main force behind the market's recent strength. Institutions have largely kept on the sidelines, preferring to wait for the release of key US economic figures expected today. They have also been wary about the possibility of any further arrests in connection with the Recruit scandal.

Some analysts felt the extent of the market's weakness was not reflected in the Nikkei's decline. "The market's fall was to me the equivalent of a 400-point drop in the Nikkei," said Mr Yoshinori Kawajiri of Sanyo Securities.

Amid the general lack of enthusiasm, constructions regained their shine. Nishimatsu Construction, originally selected for its tunnel-building technology which will be in demand in infrastructural projects, appeared to be rising on speculative fever. It emerged in the top lot of the most active list with 46.8m shares traded and added Y60 to Y1,900.

On the negative side, concern is growing about the overall outlook, both for the world economy and for the domestic economy. Analysts say the worst combination would be a downturn in the world economy which hits Australian commodity exports and the world's stock markets at the same time as Australia's tight fiscal and monetary policies reduce domestic demand. The likelihood of this is not

seen as a pre-requisite for a rally. On top of this, institutions now have low equity weightings, there has been a build-up of cash through strong money-supply growth and interest rates are thought likely to reach a peak shortly.

On the positive side, concern is growing about the overall outlook, both for the world economy and for the domestic economy. Analysts say the worst combination would be a downturn in the world economy which hits Australian commodity exports and the world's stock markets at the same time as Australia's tight fiscal and monetary policies reduce domestic demand. The likelihood of this is not

seen as a pre-requisite for a rally. On top of this, institutions now have low equity weightings, there has been a build-up of cash through strong money-supply growth and interest rates are thought likely to reach a peak shortly.

On the positive side, concern is growing about the overall outlook, both for the world economy and for the domestic economy. Analysts say the worst combination would be a downturn in the world economy which hits Australian commodity exports and the world's stock markets at the same time as Australia's tight fiscal and monetary policies reduce domestic demand. The likelihood of this is not

seen as a pre-requisite for a rally. On top of this, institutions now have low equity weightings, there has been a build-up of cash through strong money-supply growth and interest rates are thought likely to reach a peak shortly.

seen as a pre-requisite for a rally. On top of this, institutions now have low equity weightings, there has been a build-up of cash through strong money-supply growth and interest rates are thought likely to reach a peak shortly.

good results supported by an increase in capital spending, firmed Y10 to Y1,520. It was second in volume terms with 16.6m shares.

Tsubakimoto, an industrial chain maker, appeared in the top 10 volumes list and gained Y70 to Y1,110. Its recurring profit for the year is expected to be boosted by increased orders for machine tools and industrial machinery.

The reports that Saudi Arabia would reduce shipments of crude oil to Japan attracted attention to oil companies that have wells or drilling rights, such as Nippon Oil and Cosmo Oil. News of the relaxation of Japan's petrol station regulations also stirred interest in the sector: stations will be allowed to have other businesses in their buildings, such as mini-marts. Nippon Oil rose Y60 to Y1,700.

Constructiona supported Osaka but weakness in other sectors left the OSE average 165.50 lower at 3,827.32.

Roundup

TRADERS were kept busy by institutional buyers of blue chips stock and several Asia Pacific markets showed significant gains.

SINGAPORE reached its third consecutive post-crash high in busy trading. The Straits Times industrial index

rose 22.28 to 1,241.31 but turned over fell to 152m shares from the previous day's record 167m.

Sentiment was supported by news that Malaysia's Hume Industries was making a takeover bid for Multi-Purpose Holdings. Hume rose 56 cents to S\$3.98 and Multi-Purpose was suspended for the takeover news after closing on Wednesday at S\$1.02.

HONG KONG closed higher in the market's most active session in more than three weeks. The Hang Seng index rose 18.99 to 3,079.15 and turned over jumped to HK\$1.2bn from the previous day's HK\$1.2bn.

Property, utility and trading sectors rose moderately, while the banking group was mixed. Institutions bought blue chip stocks, particularly Hutchison Whampoa, up 30 cents to HK\$11, and Hongkong Land, 10 cents higher at HK\$31.20.

Constructiona supported OSE but weakness in other sectors left the OSE average 165.50 lower at 3,827.32.

SOUTH AFRICA

PLATINUM issues boosted Johannesburg, as the palladium price surged. Impala rose R4 to R50.50 and Rustenburg gained R3.25 to R61.50.

EUROPE

Talk of withholding tax change propels Frankfurt

CABINET moves in West Germany and talk of tax changes further excited the stock market and distracted dealers from today's batch of US statistics, which induced some caution elsewhere, writes Car Markets Staff.

FRANKFURT was given a fresh boost to its already euphoric mood by news that Mr Theo Waigel was replacing Mr Gerhard Stoltenberg as Finance Minister and that he might abolish or alter the controversial 10 per cent withholding tax on bond investments.

Trading volume soared to a huge DM7.29bn worth of domestic shares, which was reported to be the highest level since the global crash in October 1987.

Foreign activity was considerable, with UK interest increasing, but Procter & Gamble reported that US investors were still largely absent.

Share prices surged until a late bout of profit-taking. The FAZ index was up 7.09 at 583.28, a gain so far this week of 3.7 per cent. The DAX index climbed to a peak of 1,401.18 before easing to close 6.10 better at 1,376.78.

News that changes could be made to the withholding tax, which has been blamed for a huge outflow of investment funds and for a weakening in the D-Mark, was seized upon eagerly.

If the tax were lifted, money should move back into German bonds, increasing business for the banks and making higher-yielding stocks such as chemicals more attractive as bond yields fell, said one salesman. The bond market moved up sharply yesterday and the D-Mark strengthened.

Leading blue chips led the active stocks for a second day. Chemicals firmed slightly, with Bayer up DM2.10 at DM306.90. Pharmaceutical Schering rose DM3.50 to DM328.50 before its dividend announcement today.

Results from Dresdner Bank were in line with expectations, but the market was surprised

by plans to limit voting rights in a move against hostile bids. The share price rose DM1.50 to DM333, while Deutsche Bank gained DM5 to DM549.

Metallgesellschaft was up DM6 at DM442 after reporting strong first half figures on Wednesday.

PARIS had a nervous day awaiting today's US economic data, and prices eased in trading volume estimated between FF1.5bn and FF2.2bn.

The easier tone was also propped up by technical factors, following the rise in the CAG General index to a year's high.

The index, based on opening prices, firmed 1 point yesterday to a fresh high of 459.3, just below the all-time peak of 460.4. But indices reflecting yesterday's movements ended lower, with the OMF 60 off 1.27 at 472.46.

Midi had a strong late run, adding FF750 to FF1,550. There were signs of renewed activity in the Mid-Axa insurance group, with Axa unit Drouot Assurances actively traded and rising FF24, or 5.9 per cent, to FF132.

Générale Occidentale fell FF25 to FF182 after news that it did not intend to make a big acquisition and that CGE did not plan to reduce its stake.

Pharmaceutical Sanofi rose FF22 to FF640 after a meeting with French analysts and amid rumours that it might be showing interest in part of Bechem of the UK or SmithKline of the US before their merger goes through.

AMSTERDAM closed mixed in moderate trading, with the CBS tendency index edging 0.4 lower to 178.1.

Larger stocks were hurt by profit-taking and a weaker dollar. Philips went ex a FI 1.60 dividend and fell FI 2 at FI 38.60.

Publisher Elsevier fell 70 cents to FI 63.50 and Wolters Kluwer shed FI 1.70 to FI 170.30. VNU was strong, having published an optimistic annual report earlier in the week, and closed 70 cents higher at FI 94.

Folkler lost 80 cents to FI 43 anticipating results due today while Nedlloyd climbed FI 15.50 to FI 865.50 on suggestions of bid moves from Norwegian Mr Tor Hagen.

MADRID weakened despite the previous day's good money supply figures. The general index fell 1.35 to 293.94 as stocks were hit by profit-taking after recent rises and uncertainty over next week's inflation figures.

Few stocks escaped the general decline. Metals companies Nuseo Montano Quijano, up 3.5 points to 121.5 of par, and Altos Hornos de Vizcaya, 0.37 points ahead at 109.87, benefited from hopes that they would end years of unprofitability.

ZURICH was a little firmer despite the late announcement of interest rate rises. The Credit Suisse stock index put on 1.9 to 578.5. Adia was the main feature, the bearers rising SF450 to SF6,425 as analysts re-examined the company's prospects after recent falls.

MILAN ended the monthly account on a quiet note, with the Comit index easing 2.18 to 600.81. This left it 2.9 per cent higher than at the start of the account on March 15.

OSLO closed at a second consecutive record high. The all-share index climbed 3.62 to 465.18 in heavy trading worth Nkr788m.

Elkem, the metals producer, was actively traded despite an explosion at a plant in northern Norway. It put on Nkr11 to Nkr328.

HELSINKI rose in brisk trade after falling for two days. The Unitas all-share index added 0.2 per cent to 807.6.

Nokia's ordinary free shares, which began the month at FM120, rose FM1 to FM140 following the company's announcement of a management restructuring.

STOCKHOLM was nervous before Sweden's revised budget, due for release on April 25. The Affarsvärlden general index edged up 5.1 to 1,122.2.

Budget news leaves Australians unruffled

But it is hard for analysts to say if the dull patch is over, writes Chris Sherwell

AUSTRALIA'S stock market reacted calmly yesterday to the package of tax cuts and pay rises unveiled by Mr Paul Keating, the Federal Treasurer, on Tuesday night.

The All Ordinaries index, which covers the bulk of stocks traded, finished virtually unchanged on the day at 1,421.5, down 0.4 in moderate trading. Earlier in the day it had risen more than 8 points to touch 1,430, but then fell back.

Analysts said the package had been thoroughly anticipated, but contained no surprises. But they pointed to contradictory influences which made it difficult to predict whether the dull trend of recent months will continue.

This stagnation has seen the index meandering in the 1,400-1,550 range for the past five months and, in turn, has made the Australian market one of the worst performers over that period among the countries in the Organisation for Economic Cooperation and Development (OECD).

During the first quarter of this year, Australia was the only market in the FT-Actuaries World Indices to end higher than at the start of 1988. It lost 2.7 per cent in local currency terms, while the World Index rose 6.1 per cent.

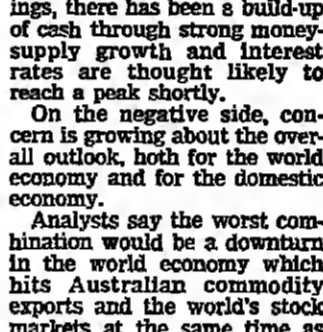
On the positive side, a number of signals has begun to appear suggesting that Australia's bear market might be coming to an end.

For one thing, valuations have become more attractive in relation to other markets, with prospective price-earnings ratios on industrial stocks standing at just over 8. The current p/e ratio on the Standard & Poor's industrial index stands at 13, while that on the FTA Industrial Group in the UK is about 12.5.

For another thing, market sentiment has reached a new low. According to a survey last week by brokers Orve Minnett, a record 81 per cent of respondents were bearish about the month ahead - a magnitude

FT-A World Indices

In Sterling terms



overwhelming at present. But some of the specifically Australian-related aspects of such a scenario - the gloomy outlook

for the balance of payments, inflation, interest rates, investment and, of course, company profits - appear to have been factored into the market already.

The real significance of Mr Keating's package, as most Australia watchers recognise if not appreciate, is political rather than economic. After six years of restraint in federal spending and wages, the Labor Government clearly feels it cannot seek a record fourth term without increasing living standards - in this case, at the expense of pleasing the financial markets.

In this respect, the package is something of a turning point. Mr Keating abandoned his customary habit of pulling a rabbit out of the hat to

impress the markets. The market, in turn, acted early on their negative view of his plans. When there were no surprises on the day, life went on as before.

The next focus of attention will be next week's March balance of payments figures, and quarterly inflation figures to be released at the end of the month. Neither is expected to show a reversal of the deteriorating trends seen over the past six months.

In the meantime, there is the usual clutch of diversions - this week, the reverberations of the collapse of the Speciey finance house and speculation about moves on the BAT affiliate Amati - while a constant eye for trends is fixed on New York and London.

WEDEN ANNUAL REPORT INDEX 1989

ASSI is one of Europe's leading paper and packaging companies. We have production in Sweden, Denmark, Germany, Great Britain, Switzerland and the Netherlands. We produce 830,000 tonnes packaging paper and board annually. We make 220,000 tonnes market pulp every year. Our production of corrugated board and corrugated boxes amounts to 400,000 tonnes a year. ASSI has 7,200 employees.

ASSI Group net sales in 1988 amounted to MSEK 6,814. Group results continued to improve and profit after depreciation and financial income and expenses was MSEK 466 (MSEK 301).

The markets for ASSI Group products continued to develop positively during 1988. Available production capacity within the paper and packaging operations was fully utilized. Prices improved.

Group activities during 1988 were further concentrated on packaging paper and packaging. These areas offer the ASSI Group excellent growth potential, and we are well equipped to compete on the market. Integration of pulp, paper and packaging is an important strength factor and reduces the effects of troughs in economic cycles. During 1987 and 1988, the Group carried out substantial structural changes and completely left the building material sector.



ASSI

"ASSI's new streamlined structure means a clear increase in strength. Rapid industrial integration in Western Europe presents new opportunities. Our network of packaging companies can offer good service to customers on the local, national and European level."

Hans Carlsson
Managing Director and CEO, ASSI

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 12 1989				TUESDAY APRIL 11 1989				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (899)	129.29	+0.4	113.43	106.42	5.22	128.80	112.99	105.88	157.12	128.28	121.28
Austria (18)	119.98	+0.8	105.26	117.57	2.14	119.05	104.44	115.46	119.98	92.84	91.60
Belgium (63)	132.84	+0.0	116.10	129.40	4.12	132.31	116.07	129.37	136.69	128.32	126.96
Canada (127)	134.48	+0.0	117.98	115.79	3.30	134.54	118.03	113.38	137.27	124.67	125.12
Denmark (38)	173.31	+0.1	152.21	173.03	1.89	173.40	152.12	172.93	180.38	165.35	121.73
Finland (26)	154.87	+0.2	135.86	137.09	1.46	154.52	135.56	136.78	156.37	125.81	126.49
France (120)	118.74	+0.3	104.17	118.60	2.98	118.32	103.80	118.18	119.98	112.57	86.69
West Germany (100)	86.68	+0.6	76.04	85.01	2.26	86.19	75.61	84.53	90.40	81.77	78.86
Hong Kong (49)	129.34	+1.1	113.47	129.21	4.07	127.60	111.94	127.49	133.77	111.80	104.97
Ireland (17)	145.12	+0.6	127.31	144.41	3.49	144.32	126.61	143.66	147.10	125.00	123.58
Italy (96)	80.69	+0.0	70.79	83.27	2.52	80.73	70.82	83.32	86.38	78.14	78.37
Japan (455)	198.26	-0.5	165.16	198.21	0.48	198.80	165.63	158.43	200.11	180.30	173.14
Malaysia (36)	170.64	+1.8	149.70	180.27	2.66	167.61	147.04	177.20	170.64	143.35	128.42
Mexico (13)	173.41	+2.4	152.13	173.41	1.13	169.38	148.99	146.12	173.41	153.32	134.41
Netherlands (42)	118.90	+0.5	104.31	115.48	4.46	115.25	103.74	114.80	123.90	110.63	110.27
New Zealand (24)	67.25	-0.4	59.00	58.94	6.73	57.55	59.26	58.88	76.02	67.15	77.33
Norway (26)	183.59	+3.5	161.06	170.39	1.47	177.37	155.60	164.61	183.59	139.92	128.81
Singapore (26)	147.99	+2.7	129.83	133.57	2.06	144.05	126.37	129.91	147.99	124.57	110.18
South Africa (60)	141.22	+1.8	123.09	152.74	4.12	142.19	89.65	109			